



## **Doing Business in Chile: 2013 Country**

### **Commercial Guide for U.S. Companies**

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## Chapter 1: Doing Business In Chile

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### Market Overview

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As the United States - Chile Free Trade Agreement (FTA) concludes its ninth year, trade in products and services continues to be a resounding success. As of January 1, 2004, duties were reduced to zero on 90% of U.S. exports to Chile with all remaining tariffs to be phased out by 2015.

In 2012, bilateral trade between the United States and Chile reached US\$ 28.3 billion, an increase of over 350% in bilateral trade levels before the U.S.-Chile FTA was implemented. U.S. exports to Chile in 2012 reached a record US\$ 18.9 billion, while imports from Chile reached US\$ 9.4 billion.

In 2010, the United States and Chile concluded the negotiations of a bilateral tax treaty that has not yet been ratified in either Congress.

The United States remains the single largest cumulative direct investor in Chile. In 2012, the United States represented a materialized investment of US\$ 2.9 billion. Canada came in second with US\$ 944 million, and Spain followed with US\$ 107 million, according to the Foreign Direct Investment Committee.

Both macroeconomic stability and growing integration with international capital markets has earned Chile an A+ credit rating, the highest in Latin America. Chile remains one of the most stable and prosperous developing nations and consistently ranks high on international indices relating to economic freedom, transparency, and competitiveness. It also performs very well in terms of democratic development, gross domestic product per capita, freedom of the press, and was the highest ranked country in Latin America in terms of competitiveness, according to the World Economic Forum's Global Competitiveness Report 2012-2013.

Chile continues to pursue market-oriented strategies, expand global commercial ties, and actively participate in international issues and hemispheric free trade. Chile is a member of the Pacific Alliance, the Rio Group, an associate member of Mercosur, a full member of APEC, and a founding member of the Trans Pacific Partnership and UNASUR. In 2010, Chile became the 31st member of the OECD, only the second Latin American country to join after Mexico.

With Free Trade Agreements with Europe, China, India, and North America, Chile has given its nearly 17 million citizens unprecedented access to the world's products and services. This offers a unique opportunity for U.S. exporters interested in expanding their businesses in arguably the most open and stable market in Latin America.

## **Market Challenges**

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Perhaps the greatest challenges to a U.S. firm seeking to export to Chile are the high degree of competition and the relative market size. Even though Chile is a relatively small market (pop. 16.8 million), its open trade and investment policy has attracted the attention of many foreign firms and it ranks as the 19<sup>th</sup> largest U.S. export market in the world. At the same time, the small market size has led some companies to overlook Chile, leaving interesting niche markets and solid opportunities for U.S. exports.

Despite Chile's openness to new products and technology, Chilean business people tend to be more conservative and cautious than the average U.S. business person. U.S. companies should take this into consideration when entering the market and adjust sales expectations accordingly.

While the Chilean government is committed to trying to streamline certain processes, such as the time it takes to open a business or close a banking account, U.S. companies will find that operating in Chile requires patience and a tolerance for delays associated with doing paperwork and obtaining approvals.

A key to competing is finding the right in-country partner. A good agent or distributor can use their business and/or social connections to open doors and overcome regulatory, as well as cultural and language barriers.

U.S. companies doing business in Chile should be aware that a relatively small number of individuals and families control a large percentage of Chilean businesses. The limited competition in select industries has brought about a concern for potential collusion.

For particular companies, intellectual property rights protection (IPR) can also be a challenge in Chile. See [Chapter 5: Trade Regulations and Standards](#) and [Chapter 6: Investment Climate](#) for more information.

## **Market Opportunities**

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Chile has generally recovered from the international financial and economic woes of 2008-2009 as well as the February 2010 earthquake that severely affected the economy in the southern part of the country. The housing market has rebounded, led by earthquake reconstruction projects and a housing boom in the Santiago Metropolitan area. Energy costs continue to be the highest in South America and

Chile is searching for all available technology and capital to increase supply through new power plants and promote energy efficiency.

Chile is adept at leveraging private sector involvement in public works projects and infrastructure via the “concession system” and will continue to use this strategy during 2013. Chile has privatized much of its infrastructure and basic services, such as ports, highways, transportation, and water supply. In addition, there is significant private sector involvement in education, retirement/pensions, health care, and prisons. U.S. companies will find that much of what would be a government sale in another country is a sale to a private sector interest in Chile.

Many U.S. companies consider Chile an excellent platform for doing business in the region. Peru, in particular, has received significant attention from Chile-based retail companies, mining companies, and agriculture interests. Chile is also South America’s largest investor in Brazil.

It is estimated that the mining and energy sectors will draw the greatest amount of private investment in 2013.

See [Chapter 4: Leading Sectors for U.S. Export and Investment](#) for some key best prospects.

## **Market Entry Strategy**

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Establishing a local subsidiary or branch office in Chile is recommended for a U.S. exporter expecting a large sales volume and/or requiring local service support or localized inventory. Any corporation legally constituted abroad may form, under its own name, an authorized branch (agencia) in Chile.

Another practical and more common market entry strategy, especially for new-to-market exporters, is to appoint an agent or representative with good access to relevant buyers and solid technical expertise. See [Chapter 3: Selling U.S. Products and Services](#) for more details on market entry strategies.

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## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/index.htm>

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## Chapter 3: Selling U.S. Products and Services

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### Using an Agent or Distributor

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In general, foreign suppliers enter the Chilean market by appointing an agent, distributor or wholesaler. Most are small-to-medium size firms. Several large firms handle different product lines and operate as wholesalers. Almost all the firms have their main offices in Santiago. The larger ones have branch offices throughout the country, including the free-trade zones of Iquique and Punta Arenas. Agent/representative commissions normally range from 5 to 10 percent, depending on the product. For contract requirements, see [Local Professional Services](#) in this chapter.

Chile is a relatively small market where relationships in the business community are a key to success. The selection of a Chilean agent or representative is an extremely important decision for U.S. exporters and merits a thorough review of possible candidates, their qualifications and capabilities. U.S. companies are invited to make full use of the wide range of market entry and partner search services offered by the Commerce Department's U.S. Commercial Service (<http://export.gov/chile/>) and for agricultural exports, the Department of Agriculture's Foreign Agricultural Service ([www.fas.usda.gov](http://www.fas.usda.gov)). Please see [Chapter 10: Guide to Our Services](#).

### Establishing an Office

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Incorporating in Chile is not expensive and takes about three weeks. The direct costs are approximately US\$1,500 for legal fees and US\$ 300for expenses such as notary public, commerce registry and official gazette. Chile has no minimum local

participation requirement, and the inclusion of local partners is guided only by commercial considerations.

The first step for a U.S. citizen, corporation or entity wishing to establish a business in Chile is to present a declaration of intent to invest in Chile to a Chilean Consulate, stating the nature of the business and the capital to be invested, while simultaneously requesting a Permanent Residence Visa. This confers official residence status on the company, which is necessary in order to conduct commercial activity in Chile.

Within the framework of Chilean law, business entities can choose to set up in a variety of different corporate forms, each with different legal and tax implications. Since Chilean tax treatment of the various forms of businesses is similar, the choice of entity type is often guided by U.S. tax considerations. There is no tax treaty between Chile and the U.S. See [Chapter 6: Investment Climate](#).

## Franchising

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Chile's favorable business climate is slowly opening new opportunities for the franchise industry; however, the typical U.S. franchise model faces some obstacles in the country. U.S. franchisors will find Chileans less willing to make the upfront investment and will not take on a commitment to open many locations until they prove the concept in one or two locations.

According to the 2012 study done by the University of Chile, this industry generates annual sales of approximately US\$ 1.4 billion, some three times the sales of 8 years ago; it also creates 31,000 jobs, 24% more than 5 years ago. There are approximately 130 franchises operating in Chile with an approximate growth of 58% in terms of the number of stores. The fast food sector has the lead in this growth. Chilean QSR concepts have 35% of the market share and the United States has 27%.

Franchise companies operating in Chile are subject to local trade laws, as there is no specific legislation for this industry. U.S. franchises do benefit from the U.S. – Chile Free Trade Agreement, in place since 2004. In general, royalties and fees have a withholding tax that ranges from 15% to 35%. U.S. companies are encouraged to register their trademarks before entering the market.

For further information at the U.S. Commercial Service in Santiago, please contact Commercial Specialist Veronica Pinto at: [Veronica.Pinto@trade.gov](mailto:Veronica.Pinto@trade.gov)

## Direct Marketing

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Direct marketing is well-established in the services sector, especially in banking/finance and telecommunications services. Catalog and online sales are not common marketing methods used to reach the average Chilean consumer, but are growing rapidly among the middle to upper classes, young teens and Internet savvy professionals.

Although Internet and catalog sales are increasing with time, the more traditional Chilean consumer generally prefers to browse in shops rather than to purchase through catalogs. Customers do want to know there is a store that can provide after sales service or address any problem that might arise.

The exchange of products in Chile is made more complicated due to value added tax (VAT) considerations. Most store policies will provide store credit, rather than cash refunds, with exchanges. The larger department and grocery store chains do provide cash refunds. Credit card penetration is lower in Chile than in the United States, but growing.

### **Joint Ventures/Licensing**

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In Chile, joint ventures and licensing arrangements require the participation of a legally established local partner who can be responsible for Chilean legal and tax obligations. The various administrative, commercial, profit distribution and other issues involved in the association are established in contracts drawn up between the partners in accordance with Chilean law and tax regulations.

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The U.S.-Chile FTA calls for open tendering in public procurement. Tenders must be made in written Spanish and winning bids are published, including the name of the supplier and the value of the contract. The FTA provisions cover procurements by over twenty Chilean central government entities for non-construction purchases. It also covers local government non-construction procurements. The agreement also calls for non-discriminatory "national treatment" for either country's suppliers. Tender opportunities should be published at least thirty days in advance and technical specifications or requirements should be performance-based. The agreement further establishes an impartial authority to review any challenges filed against specific procurement awards.

A government of Chile procurement website ([www.chilecompra.cl](http://www.chilecompra.cl)) was established in March 2000 to increase transparency, enhance opportunities and reduce government procurement costs. The site serves as a central source for all Chilean government procurement, including the armed forces. Foreign and local bidders on government tenders must register with the Chilean "Dirección de Aprovisionamiento del Estado" (Bureau of Government Procurement Supplies). They must also post a bank and/or guarantee bond, usually equivalent to ten percent of the total bid, to ensure compliance with specifications and delivery dates. Bidding is best done through a local agent who is registered, well connected, and familiar with Chilean government bidding procedures.



## **Distribution and Sales Channels**

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Establishing a local subsidiary or branch office in Chile offers would-be exporters the best guarantee of efficient service and appropriate product promotion. Corporations legally constituted abroad may form, under their own name, an authorized branch (agencia) in Chile. This method of market penetration involves an additional investment, but is justified if sales are large in volume or when local service support and/or inventory are key to success.

Another practical and more common market entry strategy, especially for new-to-market exporters, is appointing an agent or representative with solid technical expertise and good access to relevant buyers. Most manufacturing, trade and service activities in Chile are managed from Santiago, the capital. However, the country's geographical length means that larger representatives often have branch offices in different regions as well.

Seaports are the most important points of entry for merchandise entering Chile. Approximately 97% of exports and 59% of imports go through seaports, of which the most important are San Antonio and Valparaíso. Remaining trade exits/enters the country via airports and by surface transportation, mainly to/from Argentina, Brazil, and Bolivia. From point of entry, merchandise is distributed to final destinations mostly by surface transportation. Chile's rail network is limited, although there are plans to modernize and expand it. Logistics operations have been modernized, and many new distribution centers and warehouses have been built, especially by large retailers such as department stores, supermarket chains, and distribution companies. Courier and transportation companies operate efficiently throughout the country.

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Depending on the product or service, price can be the key sales factor in Chile. Price-competitive products from places such as Taiwan, China, India or South Korea often outsell more expensive European or North American products, especially in consumer product categories such as electronics, appliances and automobiles.

However, a product's dependability is especially important to consumers with goods such as advanced electronics or heavy machinery; for this reason, Chilean customers often prefer more expensive U.S. or European products. While price remains a factor in purchasing decisions, considerations of quality, durability, technology, customer support and availability of service will also influence the purchasing decision. The order of importance depends on the industry, the customer and the application.

All sales materials should be in Spanish.

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In 2012, Internet penetration in Chile reached 34% of the population. According to industry contacts in 2012, the size of the digital economy in Chile was over US\$ 1.2 billion, a 159% increase compared to 2007. The expected growth for 2013 is

approximately 28%. Internet sales for 2013 are estimated in US\$1.5 billion. The B2C segment is best developed within the retail sector although their internet sales only represent 2% of its total sales. The B2B segment is less developed in Chile. There is a lot to be done when compared to developed countries: i.e. medium size companies have yet to effectively use ecommerce as a tool in their sales strategy; the number of credit card holders is much higher than the number of people with internet access, therefore new payment methods should be established; the quality of service should be improved, as there is poor follow-up and people do not trust the distribution systems.

Following is a sample of e-commerce sites in Chile:

**B2G:**

Chile's government procurement site: [www.mercadopublico.cl](http://www.mercadopublico.cl)

Chile supplier's site: [www.chileproveedores.cl/chprovdnn/](http://www.chileproveedores.cl/chprovdnn/)

Chile's Internal Revenue Service: [www.sii.cl](http://www.sii.cl)

National Civil Registry: [www.registrocivil.cl](http://www.registrocivil.cl)

**B2B:**

Santiago Chamber of Commerce: [www.ccs.cl](http://www.ccs.cl)

Santiago Chamber of Commerce: [www.misproveedores.cl/webingresorpe/login.aspx](http://www.misproveedores.cl/webingresorpe/login.aspx)

Sonda systems integrator: [www.sonda.cl](http://www.sonda.cl)

Chilean lumber producer: [www.arauco.cl](http://www.arauco.cl)

Telecommunications provider: [www.entel.cl](http://www.entel.cl)

**B2C – Retailers:**

[www.falabella.cl](http://www.falabella.cl)

[www.paris.cl](http://www.paris.cl)

[www.ripley.cl](http://www.ripley.cl)

[www.sodimac.cl](http://www.sodimac.cl)

[www.lan.cl](http://www.lan.cl)

[www.jumbo.cl](http://www.jumbo.cl)

## Trade Promotion and Advertising

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## Overview

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Television, radio, newspaper and magazine advertising are used heavily to reinforce in-store-merchandising methods. Private agencies handle most of the advertising. The majority of these agencies belong to the Chilean Association of Advertising Agencies (ACHAP). ACHAP estimates about \$1,387 was spent on advertising in Chile in 2012. Non-cable television accounted for 43.9% of all spending on

advertising, followed by newspapers (25.2%), billboards/posters (8.8 %), radio (6.6%), magazines (1.9%), cable TV (5.5%), the Internet or online (10%) and films (0.3%). See [www.achap.cl](http://www.achap.cl).

## **TV / Cable TV**

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Chile has six national broadcast television networks. All of them are self-supporting through advertising. TV stations in Santiago are: Televisión Nacional (TVN – Channel 7); Mega TV (Channel 9); Chilevisión (Channel 11); Channel 13; Red TV (Channel 4); and Universidad Católica Valparaíso (UCV – Channel 5).

Programming depends on local productions, foreign series and movies. Dubbed U.S. product predominates, but Mexican, Venezuelan, Brazilian, Argentine, and Japanese material is also common. Locally produced news, magazine shows, variety shows, reality shows, and soap operas are high quality and draw large prime time audiences.

Cable television is a growing and important medium that reaches about 63% of households nationwide. Four major cable and satellite TV systems (Movistar, Claro, VTRGlobalcom and Direct TV) operate in 95% of the country. All rebroadcast local stations and a host of international channels. U.S. offerings include CNN International, CNN Español, HBO Ole, MTV, NT, ESPN, Cartoon Network, and MSTV. There are also local stations such as Vía X (Channel 24) and Canal 13 Cable (Channel 13's cable station); and CNN Chile and 24 Horas (TVN-owned), both focusing on news. Direct satellite television initiated service in Chile in 1997.

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Radio is the country's most extensive mass medium. Nearly all stations operate commercially, and six have network affiliates. There are over 2000 AM and FM broadcast stations nationwide. The National Radio Association (ARCHI) reports that there are 179 AM and 614 FM stations in the country, with 24 AM and 32 FM stations in Santiago alone. An estimated 93% of Chile's population listens to radio. The figure for Santiago is 97%. ARCHI's statistics state that there are 17 million radio sets in Chile.

Radio is a prime source of current news to millions of Chileans, and the national networks devote large budgets to maintaining professional news staff to meet the public's considerable demand. The most important national networks are Radio Cooperativa (93.3), Radio Duna, (89.7), Radio Bio Bio (99.7), Radio ADN (91.7), Radio Agricultura (92.1).

## **Newspapers**

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Chile has approximately 50 newspapers ranging from nationally distributed dailies to small-town tabloids. Distribution ranges from as many as 571,445 copies (Sunday edition of Santiago's El Mercurio) to regional papers with 3,000 copies. Santiago has

9 newspapers with a combined average weekly circulation of approximately 2 million copies. The circulation of local dailies in the regions is approximately 220,000.

The two major established newspaper enterprises operate in Chile are El Mercurio chain, owned by the Edwards family, with 3 national newspapers and 49 regional dailies affiliated throughout Chile, and Consorcio Periodístico de Chile (COPESA), owned by the Alvaro Saieh group (Corp Group), which distributes nationally La Tercera, business and financial Pulso, popular La Cuarta, free tabloid La Hora and the newsweekly Qué Pasa. It also publishes Qué Pasa Minería and Qué Pasa Energía, magazines focused on mining and energy issues which are distributed every other month, respectively. Copesa also owns several radio stations and will be launching a TV station in the next few months. El Mercurio of Santiago is Chile's most influential paper, followed by La Tercera.

Also published in Santiago are economic and financial newspapers Diario Financiero and Estrategia, as well as the mass-oriented and popular tabloid Las Ultimas Noticias (El Mercurio-owned), the afternoon daily La Segunda (El Mercurio-owned), and the free tabloid Publimetro (owned by Metro International).

El Mostrador is an entirely online news service. Intended as a web based information media, El Mostrador is editorially leftist in its political orientation with a strong focus on human rights and political issues. El Mostrador is a well-known and well-recognized media among young professionals and center left intellectual circles.  
[www.elmostrador.cl](http://www.elmostrador.cl)

Circulation for Santiago's major newspapers\*

	Monday-Friday	Saturday	Sunday
El Mercurio (conservative, influential)	293,289	445,924	571,445
La Tercera (conservative, independent)	258,787	431,733	447,276
Las Ultimas Noticias (popular tabloid)	306,323	370,210	366,244
La Segunda (afternoon, conservative, influential)	66,216	N/A	-----
La Cuarta (popular tabloid)	377,694	435,932	468,322
Estrategia (financial daily)	19,429	-----	-----
Diario Financiero (financial daily)	20,000	-----	-----
Pulso (financial daily)	10,000	-----	-----
Publimetro (free daily)	369,770	-----	-----
La Hora (free daily)	324,034	-----	-----
El Sur (regional conservative, influential)	35,000	N/A	N/A

\*Circulation figures are from the study for the Circulation and Readership Verification System for the January 1 to June 30, 2012 period, carried out by KPMG.

## Magazines

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The major Santiago current affairs magazines published for nationwide readership includes the weekly *Qué Pasa* (approximate 177,000 circulate with the Saturday edition of *La Tercera*), and biweeklies *El Periodista*, of independent leftist orientation (8,000), and conservative *Ercilla* with an approximate circulation of 10,000. Three business-oriented publications – the monthlies *Capital*, *AméricaEconomía*, *Poder y Negocios*, and *Gestión* – focus on business and professional audiences. Two biweeklies with Life-magazine style formats -- *Cosas* and *Caras* – feature photos and illustrations accompanying their “beautiful people” interviews and articles on national and international topics.

There is an additional magazine-format website, CIPER Chile, run by a group of leading investigative reporters, dedicated to exposing corruption and examining other critical issues related to government and public policy. CIPER Chile publishes stories at its own pace and with no set timetable. It operates as an independent, non-profit foundation that has received funding from COPESA, the Open Society Foundation (London), and the Ford Foundation. [www.ciperchile.cl](http://www.ciperchile.cl)

Useful web links for major Chilean publications

El Mercurio chain website

[www.emol.com](http://www.emol.com)

Consorcio Periodístico de Chile (COPESA)

[www.copesa.cl](http://www.copesa.cl) or

[www.latercera.cl](http://www.latercera.cl)

Economic and financial daily *Estrategia*

[www.estrategia.cl](http://www.estrategia.cl)

Economic and financial daily *El Diario*:

[www.df.cl/](http://www.df.cl/)

Business and financial daily *Pulso*

[www.pulso.cl](http://www.pulso.cl)

Useful web links for major Television stations

National Televisión (TVN):

[www.tvn.cl](http://www.tvn.cl)

Catholic University of Chile TV (TVUC):

[www.canal13.cl](http://www.canal13.cl)

Mega TV:

[www.megavision.cl](http://www.megavision.cl)

Chilevisión TV (CHV):

[www.chilevision.cl](http://www.chilevision.cl)

Useful web links for major Chilean radio networks

Radio Cooperativa: 93.3 FM

[www.cooperativa.cl](http://www.cooperativa.cl)

Radio Agricultura: 92.1 FM

[www.radioagricultura.cl](http://www.radioagricultura.cl)

Radio BioBio: 99.7 FM

[www.biobio.cl](http://www.biobio.cl)

## Pricing

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Pricing in Chile starts with a fairly straightforward formula based on CIF value: costs plus generally constant ship-to-warehouse expenses. Gross margins for consumer goods are generally 30 to 50% or more for direct sales to consumers, or 20 to 30% each for the importer/distributor and the retailer when a distribution chain is in place. The final price for mass-market items should be competitive with imports from Asia and/or Brazil. Higher-priced items must identify niche market segments in order to

prosper. More specialized products are sold by stocking distributors or by commissioned agents who generally earn margins of 5 to 10% on their sales.

Under the U.S.-Chile FTA, tariffs were eliminated on most goods imported from the United States. However, Chile's value added tax (called "IVA" in Spanish) has been 19% since October 1, 2003. Any tariff and value added tax is usually paid by the importer and not by the supplier. There are some exceptions: government entities do not pay these taxes, and some luxury goods have higher tariffs.

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Customer service and support are fundamental to successfully penetrating and retaining market segments for most products and services. Any product that requires operator training or needs after sales technical service must have, in effect, a qualified local company ready and able to assist the customer. Due to Chile's relatively close-knit society, company reputations can be made or lost in a fairly short period of time.

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Several general principles are important for effective management of intellectual property ("IP") rights in Chile. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Chile than in the U.S. Third, rights must be registered and enforced in Chile under local laws. U.S. trademark and patent registrations will not protect in Chile. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so IP rights' holders should consider applying for trademark and patent protection even before selling products or services in the Chilean market. It is vital that companies understand that intellectual property is primarily a private right and that the US government cannot enforce rights for private individuals in Chile. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, while retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Chilean law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppels, or unreasonable delay in prosecuting a law suit. In no instance should U.S.

Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. A good partner is an important ally in protecting IP rights. U.S. companies should consider carefully, however, whether to grant a partner permission to register IP rights on your behalf as there is always the risk that the partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Chile require constant attention. Work with legal counsel that is familiar with Chilean laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Chile or U.S.-based. These include:

The U.S. Chamber and local American Chambers of Commerce  
National Association of Manufacturers (NAM)  
International Intellectual Property Alliance (IIPA)

International Trademark Association (INTA)  
The Coalition Against Counterfeiting and Piracy  
International Anti-Counterfeiting Coalition (IACC)  
Pharmaceutical Research and Manufacturers of America (PhRMA)  
Biotechnology Industry Organization (BIO)

#### IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at [www.StopFakes.gov](http://www.StopFakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at [www.stopfakes.gov](http://www.stopfakes.gov).
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in



Brazil, China, Egypt, India, Russia, and something else here?. For details and to register, visit:

[http://www.abanet.org/intlaw/intlproj/iprprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html)

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.StopFakes.gov](http://www.StopFakes.gov). This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Chile at: U.S. Commercial Service Rio de Janeiro, [albert.keyack@trade.gov](mailto:albert.keyack@trade.gov).

## Due Diligence

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Due diligence is an important part of any decision to enter into business with a foreign company. U.S. exporters who would like to request background on a prospective business partner should consider the International Company Profile (ICP) service offered by the U.S. Commercial Service. For more information on this and other U.S. Commercial Service assistance to identify and qualify your business partner, please see <http://export.gov/chile/>

## Local Professional Services

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Chile's business environment and infrastructure are well-developed. There are many local companies that can provide professional services to U.S. firms.

The U.S. Commercial Service maintains a list of service providers that offer legal, financial, administrative/HR, transportation, hotel, consulting and market research services. These firms provide support to companies initiating or expanding business in Chile. See <http://export.gov/chile/businessserviceproviders/index.asp>

## Web Resources

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U.S. Commercial Service Santiago:	<a href="http://export.gov/chile/">http://export.gov/chile/</a>
USDA Foreign Agricultural Service:	<a href="http://www.fas.usda.gov">www.fas.usda.gov</a>
U.S. Embassy Santiago:	<a href="http://chile.usembassy.gov">http://chile.usembassy.gov</a>
Chilean-American Chamber of Commerce (Amcham):	<a href="http://www.amchamchile.cl">www.amchamchile.cl</a>
Chilean Embassy in Washington:	<a href="http://www.chile-usa.org">www.chile-usa.org</a>
National Chamber of Commerce	<a href="http://www.cnc.cl">www.cnc.cl</a>
Santiago Chamber of Commerce:	<a href="http://www.ccs.cl">www.ccs.cl</a>
Chilean Government Procurement website:	<a href="http://www.chilecompra.cl">www.chilecompra.cl</a>



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## **Chapter 4: Leading Sectors for U.S. Export and Investment**

Commercial Sectors

[Agricultural Machinery & Equipment \(AGM\)](#)

[Construction \(CON\)](#)

[Electric Power Equipment \(ELP\)](#)

[Healthcare \(HCS/MED\)](#)

[Mining Equipment \(MIN\)](#)

[Safety and Security \(SEC\)](#)

**[Agricultural Sectors](#)**

## Agriculture Machinery & Equipment (AGM)

### Overview

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Unit: USD thousands				
	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	415,111	582,157	617,810	649,281
Total Local Production	13,000 (*)	7,800 (*)	8,200	8,200
Total Exports	10,079	23,200	23,800	24,000
Total Imports	412,190	597,557	633,410	665,081
Imports from the U.S.	62,575	95,609	125,682	133,016
Exchange Rate: 1 USD	500	484	486	489

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: Sofofa, Sociedad de Fomento Fabril

Export/Import data: Chilean Customs; Central Bank

Chilean exports of agriculture and agro-industrial faced a difficult scenario in 2012 due to several factors: a low exchange rate, high labor cost, high energy cost, and adverse climate conditions such as draughts, freezes, and untimely/strong rain. As a result, total exports for 2012 reached \$ 14.3 billion, a 1.93% decrease when compared to 2011. However, the market for specialized and energy efficient agriculture machinery and equipment is still a high prospect because it can reduce labor and energy cost, and is expected to grow by approximately 6% in 2013. Productivity has increased in the last years, but must increase more in direct relation to the use of new and higher efficiency machinery, technology, and natural fertilizers and soil enhancers. Harvesting machinery is in great demand of Chilean farmers, since automated equipment has helped reduce the high labor costs. Chile must reduce production costs to remain competitive in the international market, in which it is an important food supplier.

Chilean exporters have suffered due to the very weak US dollar compared to the Chilean peso. However, this weak dollar has made the import of machinery and equipment denominated in US dollars more attractive. The United States accounts for approximately 20% of equipment imports.

### Sub-Sector Best Prospects

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Irrigation infrastructure is required to maximize efficiency of water usage. There are still minimum levels of deficit for irrigation infrastructure due to the 2010 earthquake, which occurred just southwest of Chile's main agricultural region. Investment in

irrigation and other related systems presents an opportunity for U.S. agriculture machinery manufacturers.

Precision agriculture equipment: To effectively monitor production conditions and improve crop yield. Fresh fruit harvesting equipment (labor and production costs reduction). Energy efficient machinery and equipment (lower production cost). Environmentally-friendly machinery and equipment (reduce impact on environment).

## Opportunities

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The following trade shows provide an excellent opportunity to enter the Chilean market:

Agrotech (agriculture machinery and equipment trade fair), June 5-7, 2013, Santiago: [www.agrotech.cl](http://www.agrotech.cl)

Fruittrade (fruit and vegetables trade show), October, 8-9, 2013, Santiago (Espacio Riesco) [www.fruittrade.cl](http://www.fruittrade.cl)

Vinitech Chile (wine industry exhibition and conference), October 22-24, 2013, Casino Monticello, San Francisco de Mostazal, Chile. [www.sitevinitech.cl](http://www.sitevinitech.cl)

Best opportunities relate to sub-sector best prospects (above). There are ongoing sales opportunities but no major projects to report at this time.

## Web Resources

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ODEPA, Oficina de Planificación Agraria (Chilean Office for Agricultural Policy Studies): [www.odepa.cl](http://www.odepa.cl)

Ministry of Agriculture: [www.minagri.gob.cl](http://www.minagri.gob.cl)

SAG, Servicio Agrícola y Ganadero (Agriculture and Cattle Service): [www.sag.gob.cl](http://www.sag.gob.cl)

SNA, Sociedad Nacional de Agricultura (National Association of Agriculture): [www.sna.cl](http://www.sna.cl)

INDAP, Instituto de Desarrollo Agropecuario, (Institute of Agriculture Development): [www.indap.cl](http://www.indap.cl)

SOFOFA, Sociedad de Fomento Fabril, (Industrial Manufacturers Association): [www.sofofa.cl](http://www.sofofa.cl)

## Construction (CON)

### Overview

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Unit: USD millions

	2011	2012	2013 (estimated)	2014 (estimated)
Construction Equipment				
Total Market Size	864	959	1,021	1,166
Total Local Production	1	1	1	1
Total Exports	72	80	80	80
Total Imports	935	1,038	1,100	1,166
Imports from the U.S.	374	412	459	495
Exchange Rate: 1 USD	484	486	486	489

Source: Chilean Customs Data, industry experts and local research

Total Market = Total Imports + Local Production - Exports

Chile's construction sector grew by 11% in 2012, above the country's average economic growth of 5.6% during the same period. Industry experts project the sector's expansion of approximately 6.5% during 2013. Yearly public investment should reach about 6% of the country's GDP, but current spending reaches only 3%, equivalent to \$ 7.5 billion. Deficit in public infrastructure investment totals \$ 34 billion for the period of 2012-2016, and public investment projections account for approximately \$ 1.8 billion for the period of 2013-2015. The exchange rate has negatively impacted the value of investment, and industry analysts expect the construction sector to continue expanding significantly (despite a current de-acceleration) until at least 2015, driven by higher investment in housing and infrastructure.

Some mining projects in northern Chile have been stalled which impacts growth projections, resulting in a de-acceleration of growth. In addition, the Chilean government will continue efforts to finalize repair and rebuilding of the housing and public infrastructure damaged or destroyed during the February 2010 earthquake. The administration also updated the country's concession programs, promising fresh investment in port expansions, new highways and other infrastructure, totaling US\$ 14 billion through 2014.

The U.S, with 36.8% of the Chilean market, is the single largest supplier of the Chilean construction industry, mostly with high-tech building materials and capital equipment, followed by Germany (15%), Japan (10%), and China (4%).

### Sub-Sector Best Prospects/Services

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Chile manufactures very limited, basic types of construction equipment, mostly mining-related. The vast majority of equipment is imported, and U.S.-made products are highly-regarded by Chilean buyers.

The best opportunities for U.S. exports are for the products that offer high levels of efficiency, reduced operational costs and ease in job completion. The most

promising are in areas such as products and supplies that increase energy efficiency, earth moving equipment, concrete technology for high-rise building construction (scaffolding, concrete pumps), and consumables that accelerate the building process.

## Opportunities

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Housing (all income levels, but with special emphasis on social projects)  
Public Works (highways, airports, ports, hospitals)  
Mining & general industry construction  
Private buildings (offices, hotels, first & second homes, lake and beach resorts)  
Retail, especially shopping malls  
Educational and private health facilities  
Industrial facilities

The industry trade show EDIFICA / Expo Hormigón will co-locate with the first Latin American CONEXPO in October, 2015. An agreement was signed between the U.S. Association of Equipment Manufacturers, AEM, and the Chilean Construction Chamber, Cámara Chilena de la Construcción, CCHC, in which their two international events will be held simultaneously in Chile to cover the entire Latin American region.

## Web Resources

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<a href="http://www.cchc.cl">www.cchc.cl</a> :	Chilean Chamber of Construction
<a href="http://www.mop.cl">www.mop.cl</a> :	Ministry of Public Works
<a href="http://www.minvu.cl">www.minvu.cl</a> :	Ministry of Housing and Urbanism
<a href="http://www.ingenieros.cl">www.ingenieros.cl</a> :	Chilean Association of Professional Engineers
<a href="http://www.colegioconstructores.cl">www.colegioconstructores.cl</a> :	Chilean Association of Professional Construction Engineers
<a href="http://www.aoa.cl">www.aoa.cl</a> :	Chilean Association of Architectural Bureaus
<a href="http://www.colegioarquitectos.com">www.colegioarquitectos.com</a> :	Chilean Association of Professional Architects
<a href="http://www.chilegbc.cl">www.chilegbc.cl</a> :	Green Building Council Chile

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**Overview**

Unit: USD millions

Electric Power Equipment	2011	2012	2013 (Estimate)	2014 (Estimate)
Total Market Size	898	998	1,133	1,329
Total Local Production	95	80	75	81
Total Exports	70	59	55	60
Total Imports	868	947	1,113	1,308
Imports from the U.S.	158	178	200	235

(In millions of US dollars. Source: Chilean Customs Data, industry experts and own elaboration)

Between 2013 and 2020, growth rates of 6% to 7% are projected for electricity consumption in Chile, which means there will be a demand of almost 100,000 GWh of total electric energy by 2020. That means that an increase in supply of some 8,000 MW of new generation projects would be needed to satisfy the demand.

Over the last 20 years, the average electric power demand rate per year has been 6.7%. The future of the energy sector faces a series of difficult years due to the lack of energy sources and its limited investment in generation and, more critically, in transmission.

Power generation and transmission projects are expected to represent USD\$ 10billion in investment during the period 2013-2015. US\$ 107.9 MW-h was the median market price for the central grid and US\$ 112.3 MW-h for the northern grid which was recorded in April.

Energy challenges in past years have been managed with what is termed, by energy experts, as “covert rationing.” The Electric Energy Dispatch Center (CEDEC) simply tells large customers to accept a 5% decrease in the voltage.

Renewable energy generation will remain at single digit percentages, currently under 6%, of Chile’s total energy matrix for the foreseeable future. Projects in hydropower, biomass, biogas, wind, and solar energy are receiving increased government and private-sector support.

Chile has specific legislation (Law 20257) that makes mandatory use of non-traditional renewable energy sources. A minimum of 5% of all the energy injected in the SING and SIC grids until 2014 and up to 10% by the year 2024 must come from renewable sources. However, the government’s stated target is to produce 20% by 2020. Chile’s natural resources allow analysis of energy sources of power such as from wind, geothermal, solar, biomass, and bio-fuels.

## Best Prospects/Services

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### Generation

- Hydro-generation plants
- Thermal-generation plants in the range of 100 MW - 300 MW
- Clean coal technology plants (the government announced the tightening of coal emissions)
- Combined-cycle gas fired plants and support systems
- Dual gas/diesel fired plants
- Geothermal plants
- Wind generation plants: >0.3 MW - 10 MW, horizontal, variable speed, pitch reg., >50 mt. mast turbine
- Solar panels for water heating (the GOC has a subsidy program for new low cost houses that includes this technology and induce saving in natural gas)
- Solar PV panels and CSP systems. For the mining sector turn-key projects are the norm.

### Transmission

- High efficiency transmission equipment and supplies, aimed to transfer electric energy >1,000 miles
- Environmental solution services
- NOx, particle and CO2 abatement equipment
- Scrubbers, fumes treatment technology and equipment

### Distribution

- Electric control instruments
- High efficiency transformers
- Signal conditioners

## Opportunities

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Export opportunities in the area of electric power equipment are a consequence of a surge in power generation and transmission investment that will require direct investment and supplies of approximately USD 20 billion between 2013 and 2015.

## Web Resources

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[www.cne.cl](http://www.cne.cl) : Chilean Energy Commission  
[www.cdecsic.cl](http://www.cdecsic.cl) : Central Interconnected Grid Management System  
[www.cdecsing.cl](http://www.cdecsing.cl) : Northern Interconnected Grid Management System  
[www.revistaei.cl](http://www.revistaei.cl) : Electric Industry Magazine



## Healthcare (HCS / MED)

### Overview

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Unit: USD millions

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	550	563	647	744
Total Local Production	7	8	9	10
Total Exports	11	16	18	21
Total Imports	554	571	656	755
Imports from the U.S.	188	208	239	275
Exchange Rate: 1 USD	483.67	486.49	490	495

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: Chile Customs Data, industry experts and elaboration

Total Exports: Chile Customs Data

Total Imports: Chile Customs Data

Imports from U.S.: Chile Customs Data

The Ministry of Health budget for 2012 considers strengthening primary healthcare attention and the construction of 24 new outpatient centers for this purpose. This focus is based on the epidemiologic reality of the Chilean population: there is an increase in chronic diseases, the population is aging, and many primary healthcare conditions go untreated. To achieve this goal, the plan considers an increment in the number of healthcare professionals, the reconstruction of seven hospitals, and investment in information technology for interconnected digital medical records.

The public healthcare system is comprised of 183 hospitals: 59 high-complexity, 24 medium-complexity and 100 low-complexity hospitals. In all, the public sector has approximately 26,300 beds. In the private sector, there are 109 hospitals, with approximately 15,000 beds. There are a considerable number of ongoing expansion projects in the private sector, and also new investments in the sector are considered nationwide.

FONASA, the government-run healthcare insurance system, covers 75% of the population. Of the remaining 25%, approximately 5% lacks any type of insurance, and 20% (bordering on 2.6 million people) pay into the private sector insurance system provided by entities called ISAPRES. There are seven Isapres currently operating in the Chilean market.

Additionally, the Universal Access to Healthcare government program, called “Plan AUGE or GES”, started in 2005, continues to benefit the population. It consists of

government-funded subsidized healthcare coverage for currently 76 diseases that are considered to be high-incidence.

In general, there is no government-required registration imposed on medical equipment, except for nuclear medicine equipment, which does need special authorization. Medical devices have no registration requirements either, except for condoms, gloves, needles, and syringes that do need authorization/quality control assessment to certify its safety. However, pharmaceuticals do have mandatory registration that is granted by the Institute of Public Health.

### **Sub-Sector Best Prospects**

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There are interesting opportunities for U.S. exporters of medical equipment and devices, including autoclaves, surgical tables, disposable and non-disposable surgical instruments, cardiology equipment – including pacemakers and ECG monitors (low and medium complexity) – ventilators, infusion pumps, aspiration pumps, central monitors, echotomography, mobile incubators, trauma equipment, anesthesia instruments and appliances, ophthalmoscopes, and hospital beds.

### **Opportunities**

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Opportunities will arise with the construction of new hospitals and healthcare centers in the public sector. These will require equipment and devices. Additionally, ongoing private sector projects and new expansion investments will have needs for furniture, equipment, and devices. The best way to participate is to appoint a local representative with good contacts in the public and private sector, and a network of salespeople throughout the country.

### **Web Resources**

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Ministry of Health:	<a href="http://www.minsal.cl">www.minsal.cl</a>
Fonasa:	<a href="http://www.fonasa.cl">www.fonasa.cl</a>
Association of Isapres:	<a href="http://www.isapre.cl">www.isapre.cl</a>
Health Superintendency:	<a href="http://www.supersalud.gob.cl">www.supersalud.gob.cl</a>
Institute of Public Health:	<a href="http://www.ispch.cl">www.ispch.cl</a>
Association of Private Clinics:	<a href="http://www.clinicasdechile.cl">www.clinicasdechile.cl</a>

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## Mining Equipment (MIN)

### Overview

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	2011	2012	2013 (Estimate)	2014 (Estimate)
Total Market Size	2.084	2,547	3,102	3,759
Total Local Production	330	320	350	360
Total Exports	174	169	208	258
Total Imports	1,928	2,396	2,960	3,657
Imports from the U.S.	779	860	1095	1,352

(In millions of US dollars. Source: Chilean Customs Data, industry experts and own elaboration)

Chile is the number one producer of copper in the world. Its current world production market share is 34%. The mining sector contribution to its GDP is approximately 20%. The overall industry represents about 60% of the country's total exports.

In addition to copper, Chile is also a major world supplier of molybdenum, gold, and silver. Chile is also a relevant supplier of non-metallic minerals such as iodine, lithium, sodium and potassium nitrate.

In 2012 the average spot price of copper was US\$ 3.6/lb. Projects are under development by both the public sector, namely the state-owned mining, Codelco and the private sector with companies such as AMSA, Xstrata, BHP Billiton and others.

Current copper prices and future contracts indicate that in 2013 copper prices will likely remain above US\$ 3.2/lb. This price level is enough to maintain the development of approved investments and projects that have begun in the last four years.

Chile currently holds the largest proven reserves of lithium under exploitation. Current world market share is 62%. This combined with the demand coming from the battery powered automotive industry will make this resource the focus of international investors and developers. Currently there are only two companies active in the industry: Soquimich S.A. (SQM) and Rockwood Lithium Chile Ltda.

Over recent years, the mining industry has been investing not only in mining development and expansion, but in developing their own sources of energy. Mining companies are looking for renewable sources of energy in an effort to reduce its carbon foot print. The mechanism used for the latest solar and wind powered plants has been via private and international tenders.

The U.S., with over a 40% market share, remains the single largest mining equipment supplier. Important export opportunities in this industry will continue for those companies offering technologies and products that bring cost reduction, improved productivity and more efficient and cleaner processes.

Freeport McMoran Copper & Gold Inc. out of Phoenix, Arizona is the single U.S. company present in the market. The major local mining players continue to be the Canadians, Australians and some European companies.

### **Best Prospects/Services**

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A brief list of mining parts, equipment and technologies on demand follows:

Equipment that requires regular replacement:

- Crushers
- Grinders
- Off-road trucks (240-440 tons)
- Cabbed truck chassis (+ 50 tons)
- Parts for rock cutters
- 360-degree revolving excavators
- Cranes and screening machines
- Environmental system solutions

- Water treatment
- Water desalination
- Air pollution abatement
- Mine closure
- Carbon footprint reduction
- Underground mining technology services
- Wear-resistant materials

### **Opportunities**

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Industry projections indicate that between 2012 and 2018, investments by the private and public sector will exceed \$ 30 billion and U.S. exporters will continue to supply to Chilean importers.

### **Resources**

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In Chile, there are two mining trade shows in alternate years, EXPOMIN and EXPONOR.

EXPOMIN: Expomin is a U.S. Department of Commerce Certified Trade Show. This is the world's largest mining trade show outside of the U.S. Its global attendance gathers over 2,500 exhibitors. The official U.S. Pavilion takes half of the entire exhibit floor with some 200 exhibitors. This show takes place on even years in Santiago, and the next will be in April, 2014 in the city of Santiago: [www.expomin.cl](http://www.expomin.cl)

EXPONOR: Exponor is a U.S. Department of Commerce Certified Trade Show. The U.S. Pavilion featured over 100 exhibitors in June 2013. This trade show takes place in odd years in the city of Antofagasta. Exponor 2013 is scheduled for June 17-21, 2013: [www.exponor.cl](http://www.exponor.cl)

## Safety & Security (SEC)

### Overview

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	Unit: USD millions			
	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	348	479	546	623
Total Local Production	8	9	10	12
Total Exports	11	13	15	17
Total Imports	351	483	550	627
Imports from the U.S.	92	106	121	138
Exchange Rate: 1 USD	483.67	486.49	490	495

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: Chile Customs Data, industry experts and elaboration

Total Exports: Chile Customs Data

Total Imports: Chile Customs Data

Imports from U.S.: Chile Customs Data

The industry of safety and security in Chile grew approximately 14% during 2012 and, according to industry contacts, the same growth is expected in 2013. The market share for 2012 imports was: China with 32%, followed by the United States with 24% and Germany with 5%. These figures include security equipment and devices used in the construction of residential, commercial, and industrial compounds, firefighting, and safety devices. China's market share can be explained both by the price factor and the China-Chile Free Trade Agreement, enacted a couple of years after the US-Chile FTA which has been in place since 2004.

Due to the Chile's economic and political stability, there is investment growth in myriad sectors and the need to adequately protect them with state-of-the-art equipment and technology has been greatly considered.

### Sub-Sector Best Prospects

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Access control, biometric equipment, parking systems, fire detectors, sprinklers systems, extrication equipment, firefighting suits, fire trucks, alarms and monitoring, CCTV, outdoor perimeter protection, locks, safes, sensors, vehicle theft prevention equipment and general safety gear for industrial use are currently on demand.

### Opportunities

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Opportunities continue to be present in the residential, commercial, and industrial sectors. There are numerous shopping malls under construction that will require

security equipment. The uniformed police frequently needs crowd control equipment due to the social mobilizations happening in Chile, as in the rest of the world. Also, the current administration continues to give high priority to crime reduction. ATM machine robbery, vehicle theft, and store and residential break-ins continue to be frequently reported.

## **Web Resources**

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Ministry of Interior:	<a href="http://www.interior.gob.cl">www.interior.gob.cl</a>
Chilean Police:	<a href="http://www.carabineros.cl">www.carabineros.cl</a>
Investigative Police:	<a href="http://www.investigaciones.cl">www.investigaciones.cl</a>
National Council of Firefighters:	<a href="http://www.bomberos.cl">www.bomberos.cl</a>

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The Chilean food industry is primarily based on the country's agricultural resources and remains, to a significant degree, dependent on agro-based exports. The agricultural industry is one of the staples of the Chilean economy, generating around US\$ 14 billion in exports annually. It represents around 25% of the country's GDP and is the second most important exporting sector.

The Chilean food system employs 1.2 million, representing almost 20% of the country's economically active population. It is expected that by the year 2030 the GDP generated by the food sector will account for more than 35% of Chile's GDP and one out of three workers will have jobs within this industry.

Chile has excellent natural conditions to continue developing its agro-industrial and food industries. The country's southern hemisphere location means that it produces crops during the opposite seasons to the world's major consumer markets in the northern hemisphere. In addition, its elongated north-south orientation means that harvests can be staggered throughout the growing season. Furthermore, the country's relative geographical isolation (desert in the north, the Andes mountain range to the east, the Pacific Ocean to the west and south), which together with a strict government policy, maintains Chile as a country free from most pests and diseases.

According to the Food and Agriculture Organization of the United Nations, Chile's food exports have grown at an average annual rate of 10% over the past decade. This ranks Chile as the fastest growing food exporting country, supplying more than 150 countries around the globe with fresh and processed foods and beverages.

The fruit, wine, poultry, pork, beef and fish-farming industries each offer tremendous export potential as a result of global trade liberalization, particularly between Chile and Asia. These sectors also benefit from the government's efforts to diversify its export sector away from copper to high value-added agricultural exports – most notably salmon and wine.

Multinational food manufacturers have a long history of investing in Chile and firms such as Nestlé and PepsiCo have manufacturing plants in the country. Although domestic consumption of processed food is rising steadily, most food and drink firms investing in Chile focus on how they can utilize the country's extensive natural resources and network of trade agreements to boost their sales in markets outside of Chile.

The processed (packaged) food sector's annual growth is represented by the sector's exports, which grew from US\$ 717 million in 2004 to more than US\$ 1.5 billion in 2008. The processed food sector is one of the main growth generators in Chilean exports, mainly due to the production increase of fruits and vegetables in their different formats (canned, dehydrated, frozen and juices). Other major exports

are chocolates, cookies, candies and refreshments. Each one of these products has its origin in more than 200 industrial plants throughout the country.

About 10-15% of products sold in supermarkets are imported, but this segment has grown by 85% over the last five years.

The number of Chilean food processing companies has shrunk through mergers and acquisitions during the last couple of years. Currently, 53 companies dominate the market.

As food processors seek to rationalize their costs, they are leaning towards direct purchases and away from middlemen. As the big processors continue to grow, they reach economies of scale by negotiating directly with the supplier, even on a global scale. Smaller buyers still depend on distributors to manage their stock.

Manufacturers in mature sectors such as pasta, oils and fats have launched value-added products in order to develop high value niches in their market.

The following foreign food imports are in the highest demand: snack foods, healthy snacks, energy products, specialty drinks, cookies, tuna, dietetic snacks and candies, baked goods and mixes, sweets, gums and chocolates.

## **Food Ingredients**

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The market continues to consolidate through mergers, leaving a wide gap in size and capacity between the leading food producers and the small ones.

Convenience is the main trend in packaged food. Consumption trends influencing the type and quality of inputs being used include:

Easy-to-prepare food as more people, including women, join the workforce and spend less time at home

Out-of-home meals become more frequent as young people continue adopting new fast foods and snack foods as part of their diet

Light foods and beverages continue capturing market share

Consumers declare that the most valued benefit from specific items is health, quality, convenience and security. Functional foods are part of the usual shopping list of Chileans, especially among women and the medium and upper classes. Chileans give important credit to brands (in 80% of the cases, it determines the purchase selection due to its quality recognition).

The small organic food market has been steadily growing over the past eight years. The market, which was worth only US\$ 200,000 in 2003, today represents US\$ 7.4 million in sales and is expected to grow to US\$ 53 million by 2013. The high price of organic goods is the main obstacle preventing some from consuming these alternative food products. Organic production in Chile is primarily an export-driven activity.



## Advantages and Challenges facing U.S. Food Ingredients in Chile [Return to top](#)

Advantages	Challenges
The U.S. is a strong trading partner through the U.S. Chile FTA and its products are welcome.	Quality of food ingredients from around the world has become very similar, abiding by U.S. and European standards.
U.S. food inputs are known for their quality. They meet respected FDA & USDA standards. Health concerns are low.	Chile has FTAs with many countries, allowing them to be price conscious and highly competitive, therefore removing dependency from any particular region.
Certain companies have corporate requirements to purchase U.S. inputs, such as Nestlé for products exported to the U.S.	Prices for U.S. products may still be higher than local products or imports from nearby countries, even after the FTA. FOB prices for U.S. inputs tend to be at least 10 higher than local prices for equivalent quality.
Rising disposable incomes have generated interest in foreign and higher quality foods.	Price sensitivity is strong due to high inflation and the economic downturn.

## Process Food Sector by Specialization

### Red Meat and Poultry

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The poultry industry is the largest meat producer in Chile, producing 43% of total meat production in 2010. Pork accounted for 40% and beef 16%.

For the first time, in 2008 pork overtook beef to become the country's second preferred meat after chicken. Pork is the fastest growing sector with consumption having increased by 58.87% during the last 10 years, compared to a 33.92% increase in poultry and a 2.95% decrease in beef consumption over the same period.

Chile imports most of its beef from Paraguay, but because of the discovery of Foot and Mouth Disease identified in late 2011, shipments have been halted and other suppliers are being sought. This is a great opportunity for U.S. suppliers to gain market share in the Chilean market.

Product	Bovine	Pork	Poultry
Local Production (2010)	210,700 tons	498,000 tons	536,000 tons
Imported (2010)	135,000 tons	12,708 tons	64,320 tons
Exported (2010)	6,968 tons	99,925 tons	89,069 tons

Source: ODEPA/Index Mundi

## Producers

The market in Chile is very concentrated with five companies producing 75% of meat in the country. The AASA Group is the leader in the beef sector.

Agrosuper through its various brands is the dominant producer in the market. Agrosuper's "Super Pollo" poultry brand has 53% market share. Agrosuper also leads the pork market through "Supercerdo" with 65% market share. Agrosuper's Sopralval is the market leader in turkeys with 64% market share.

For a full list of Chilean producers see:

[http://www.mercantil.com/rc/port\\_select\\_companies.asp?acti\\_code=412&code2=&countrysearch=1&lang=eng](http://www.mercantil.com/rc/port_select_companies.asp?acti_code=412&code2=&countrysearch=1&lang=eng)

For a list of suppliers of food ingredients and machinery see:

<http://www.mercantil.com/SE/makequeryactivities.asp?keywords=meat&Countrychk=1>

Main Importers/Suppliers

Beef

Rank	Company	US\$ FOB	Volume (Kg)
1	PARIS S.A.	\$150,696,192	29,361,194
2	COMERCIAL D&S S.A.	\$114,129,292	22,440,161
3	RENDIC HNOS. S.A.	\$ 84,095,298	15,729,178
4	MARFRIG CHILE S.A.	\$ 44,621,820	9,214,982
5	COMERCIAL CERRILLOS S.A.	\$ 32,225,366	7,186,263
6	SOC.COMERC.DEL SUR LTDA	\$ 31,742,058	6,313,606
7	GLOBAL PRODUCTS S.A.	\$ 20,441,928	4,461,685
8	DISTRIBUIDORA KARMAC TDA	\$ 19,508,952	3,864,020
9	COMERCIALIZADORA INTERANDINA S	\$ 18,908,180	3,949,172
10	SUPERMERCADO SAN FRANCISCO S.A	\$ 17,217,522	3,503,721

Source: Chilean Customs

## Pork

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Rank	Company	US\$ FOB	Volume (Kg)
1	COMERCIAL CERRILLOS S.A.	\$11,341,035	4,395,455
2	CIAL ALIMENTOS S.A.	\$ 9,652,224	3,777,734
3	MARFRIG CHILE S.A.	\$ 6,531,696	2,335,405
4	CECINAS WINTER S.A.	\$ 1,238,386	439,253
5	GLOBAL PRODUCTS S.A.	\$ 765,587	269,509
6	TAK S.A.	\$ 557,856	265,424

7	COEXCA S.A.	\$ 444,144	192,698
8	GLOBAL TRADE COMPANY S.A.	\$ 370,011	165,659
9	FRIOSIA	\$ 311,188	120,281
10	SOC.COMERCIALIZAD.DEL SUR LTDA	\$ 135,211	46,723

Source: Chilean Customs

### Poultry

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Rank	Company	US\$ FOB	Volume (Kg)
1	COMERCIAL D&S S.A.	\$11,631,360	6,328,340
2	GLOBAL PRODUCTS S.A.	\$11,256,968	9,113,695
3	AGROSUPER COM D.ALIM LTDA	\$ 9,976,525	9,338,856
4	MARFRIG CHILE S.A.	\$ 6,750,016	3,640,904
5	COMERCIAL CERRILLOS S.A.	\$ 6,548,966	4,841,214
6	CIAL ALIMENTOS S.A.	\$ 5,594,200	3,523,890
7	PARIS S.A.	\$ 5,152,045	3,088,179
8	DISTRIBUIDORA KARMA LTDA	\$ 2,989,191	1,870,183
9	DISTRIBUIDORA ORIENTE LTDA.	\$ 2,346,147	984,840
10	SOC.COMERCIALIZAD.DEL SUR LTDA	\$ 2,316,405	1,697,840

Source: Chilean Customs

### Edible Fish and Sea Food Products

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Chile has a successful seafood industry with salmon ranking as the country's second most important export after copper. With 2,600 miles of coastline and 18,600 miles of canals, archipelagos and fjords, Chile has one of the five richest marine areas in the world. In the salmon industry alone there are 1,200 companies offering goods and services, employing 53,000 people.

Chilean produce is sold as fresh, chilled, frozen, canned, dried, salted and smoked. In comparison to meat consumption, domestic demand for fish is relatively low.

In many sectors of the economy Chile is trying to increase the added value of its products, and this is also the case in the seafood industry. Technology and packaging to prolong the preservation of products in the industry are in demand, possibly creating opportunities for U.S. companies.

### Main Seafood Producers

Rank	Company	Exports US\$ FOB	Volume (Kg)
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1	CIA.PESQUERA CAMANCHACA S.A.	178,768,171	79,001,582
2	SALMONES MULTIEXPORT S.A	161,674,379	20,512,815
3	CORPESCA S.A.	140,685,036	87,826,296
4	MAINSTREAM CHILE S.A	136,795,633	23,607,436
5	AGUAS CLARAS S.A	124,114,553	18,395,909
6	PESQUERA LOS FIORDOS LTDA	106,336,025	16,420,728
7	TRUSAL S.A.	103,529,833	13,465,195
8	SALMONES ANTARTICA S.A.	102,868,230	13,847,883
9	MARINE HARVEST CHILE S.A.	97,263,127	11,300,117
10	PROD.DEL MAR VENTISQUEROS S.A	90,768,385	12,550,068

Source: Chilean Customs

A comprehensive list of companies working in the seafood industry as producers or suppliers of equipment can be found in the following business directories:

Manufacturers:

[http://www.mercantil.com/rc/port\\_select\\_activities.asp?area\\_code=1165&lang=eng&onlyweb](http://www.mercantil.com/rc/port_select_activities.asp?area_code=1165&lang=eng&onlyweb)

Exporters:

[http://www.mercantil.com/rc/port\\_select\\_activities.asp?area\\_code=1168&lang=eng&onlyweb](http://www.mercantil.com/rc/port_select_activities.asp?area_code=1168&lang=eng&onlyweb)

Commercial Fishing:

[http://www.mercantil.com/rc/port\\_select\\_activities.asp?area\\_code=1177&lang=eng&onlyweb](http://www.mercantil.com/rc/port_select_activities.asp?area_code=1177&lang=eng&onlyweb)

### **Prepared Fruit, Prepared Vegetables, Oilseed Products**

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This subsector has played a large role in the growth of Chile's exports in the last decade, primarily due to the production increase of fruits and vegetables in their different formats (canned, dehydrated, frozen and juices).

This market is dominated by the following exporters:

Frozen Fruit Exporters (2010)

Rank	Company	US\$ FOB	Quantity (Kg)
1	COMERCIAL FRUTICOLA S.A.		

		\$35,231,273	13,518,181
2	FRUTICOLA OLMUE S.A.	\$30,559,200	13,022,439
3	ALIMENTOS Y FRUTOS S.A.	\$23,442,204	9,703,459
4	SOC. AGROINDUSTRIAL VALLE FRIO	\$11,781,319	5,919,387
5	SOC.AGRIC.Y FRUTICOLA LEON LTD	\$11,097,840	5,727,547

Source: Chilean Customs

#### Canned Fruit Exporters (2010)

Rank	Company	US\$ FOB	Quantity (Kg)
1	AGROFOODS CENT.VALLE CHILE S.	\$10,626,097	5,500,606
2	ACONCAGUA FOODS S.A.	\$ 7,088,083	5,693,861
3	FRUTAS DE CURICO LIMITADA	\$ 6,577,654	2,205,681
4	CONSERVERA PENTZKE S.A.	\$ 5,439,516	4,296,423
5	PARMEX S.A.	\$ 4,590,973	708,975

Source: Chilean Customs

#### Dried Fruit Exporters (2010)

Rank	Company	US\$ FOB	Quantity (Kg)
1	PRUNESCO S.A.	\$34,529,692	17,094,931
2	FRUTAS DE EXPORTACION S.A.	\$19,185,339	9,977,972
3	AGROINDUSTRIAL SURFRUT LTDA.	\$14,413,735	2,876,226
4	INVERTEC FOODS S.A.	\$11,235,066	2,340,298
5	AGR.Y COM.SUPERFRUIT LTDA. (E)	\$10,644,248	5,125,985

Source: Chilean Customs

A comprehensive list of companies working in the prepared fruit and vegetable industry can be found in the following business directory:

<http://www.chilealimentos.com/link.cgi/ProductosEmpresas/empresas/>

## Confectionery Products

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The confectionery market in Chile is estimated at US\$ 657 million, which represents 5.2 kilos consumed per capita every year. The main brands are Arcor Dos en Uno, Costa (Carozzi) and Ambrosoli (Carozzi). The prices are among the lowest in Latin America because it is a very competitive market.

Between 2001 and 2007, confectionery value sales in Chile increased by 44.5%. Value sales are forecast to further increase by 46.4% by 2013, according to Business Monitor International.

Consumption per capita of chocolate is 2.6 kg, one of the highest in Latin America. The chocolate market is dominated by three companies: Arcor Dos en Uno, Carozzi and Nestlé. The high-end chocolate market is dominated by Bozzo, Varsoviene, Damien Mercier, Félix Brunatto, and Dos Castillos.

The main channels of distribution for confectionery products and chocolates are the traditional grocery stores (54.1%) and supermarkets (45%).

Exporters of Confectionery Products (2010):

Rank	Company	US\$ FOB	Quantity (Kg)
1	IND.ALIMENTOS DOS EN UNO S.A.	\$ 4,112,213	1,508,201.00
2	EMPRESAS CAROZZI S.A.	\$ 3,376,139	1,197,327.00
3	TRANSP.Y EXPORT. OSTALMAR S.A	\$ 1,034,458	244,446.00
4	ALIMENTOS Y PROD.CONFITRES LTD	\$ 144,705	68,363.00
5	DISTR.COM.IMP. EXP.BENI LTDA	\$ 103,817	124,927.00
6	SOC.COMERCIAL FLORES Y VIVAR	\$ 85,841	141,108.00
7	PURATOS DE CHILE S.A.	\$ 56,102	17,754.00
8	NOVAFOODS S.A.	\$ 51,821	13,166.00
9	SOC. IMP. Y EXP. HALCON LTDA.	\$ 24,322	58,523.00
10	BIGNO AYALA	\$ 22,797	9,113.00

Source: Chilean Customs

## Baked Products

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Chile is the top bread consuming country in the Americas with 98 kg consumed per capita annually, followed by Argentina (82.5 kg). Globally, it is second only to Germany with 106 kg per capita.

3% of household income is spent on bread, compared to 1% in developed nations. Currently, the bakery market is comprised of supermarkets, representing 21% market share, and bakeries, of which 98% are small or medium size. Of the 4,500 bakeries in the country, the main ones are Ideal (controlled by the Mexican group Bimbo), followed by Castaño and San Camilo.

Cookies and other baked goods are made by a few large companies, especially McKay (Nestlé) with 40% market share and Costa (Carozzi) with 30%. The Chilean cookie market is small compared to bread.

## Snack Food

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The snacks market in Chile is estimated at around US\$ 800 million including cakes, nuts, crackers, and savory and sweet snacks. The three main players in the industry are Evercrisp (Lay's, Doritos, Cheetos) with a 70% market share, Marco Polo (15%) and Kryzpo (8%).

With a double-digit annual growth since 2003, Chile is one of the biggest snack consumers in the region (1.4 kilos per capita), but is still far from countries like Mexico, the U.S. or Great Britain.

46% of sales are made through supermarkets, and 53% of sales are made through traditional groceries and convenience stores.

## Non-Alcoholic Beverages

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The Chilean soft drinks market generated total revenues of \$1.9 billion in 2010, representing a compound annual growth rate (CAGR) of 5% for the period spanning 2006-2010. Carbonates sales proved the most lucrative for the Chilean soft drinks market in 2010, generating total revenues of \$1.6 billion, equivalent to 81% of the market's overall value. Following carbonates was mineral water with 10.5% of the market's value, and then juices and nectars with 8.4%. The performance of the market is forecast to decelerate, with an anticipated CAGR of 4.8% for the five-year period 2010-2015. At this rate, the value of the market will be valued at \$2.4 billion by the end of 2015.

Consumption of carbonated drinks in Chile is among the highest in Latin America. Coca-Cola (U.S.) is the leading soft drink brand with 52% market share, but growing price consciousness has led to an increasing market share of supermarket owned brand products. In 2009, supermarket brands accounted for nearly 25% of the total market share. Rising health consciousness has helped athletic drinks to become the fastest-growing sub-sector in recent years, more than tripling their sales volumes, from 3.2 million liters in 2006 to 11 million in 2010.

Non-alcoholic beverages are the third most consumed food and beverage category by Chileans, after bread and meat. They are distributed through traditional channels (57%), supermarkets (30%) and consumption in food establishments (13%).

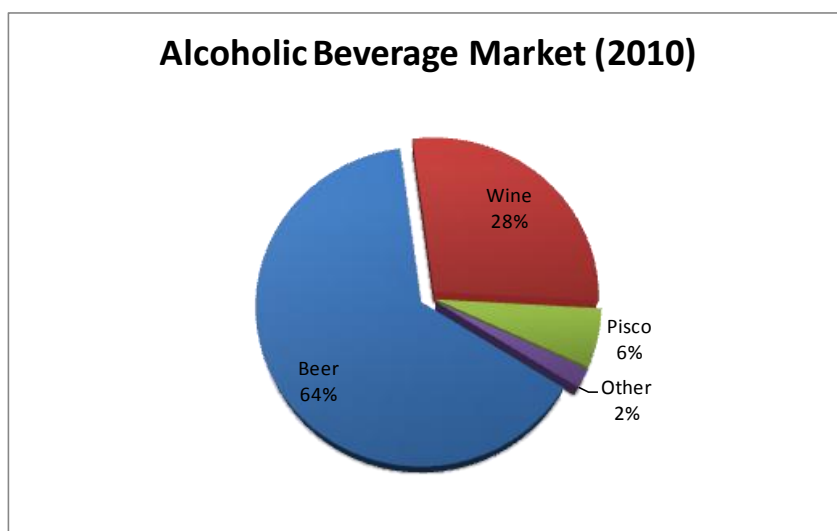
Company (Non Alc. Beverages)	Sales (US\$) 2010	End-Use Channels	Production Location(s)	Procurement Channels
Embotelladora Andina	\$1,898 million	Retail	Chile (4) Argentina (3) Brazil (4)	Direct (Local and Foreign)
Coca-Cola Embonor	US\$629 million	Retail and HRI	Chile (7) Bolivia (6)	Direct (Local and Foreign)
Embotelladora Coca-Cola Polar	US\$486 million	Retail	Chile (3) Argentina (4)	Direct (Local); Distributors (Local); Importers

Source: Corporate publications

## Alcoholic Beverages

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The Chilean population drinks more than 8.5 hectoliters of alcoholic beverages every year, which represents a per capita consumption of more than 56.3 liters. The market generates US\$ 1.7 billion annually, and represents 25% of total drink consumption. The beer subcategory has lately increased its share, to the contrary of wine and pisco. The trend has been to drink lighter alcoholic beverages. This tendency is observed also with the emergence of pre-mixed alcoholic beverages (with fruit juices).



The Chilean beer market is estimated at US\$ 1 billion and the annual consumption per capita is about 35.8 liters, representing a total annual consumption of more than 609.4 million liters. Only 10% of this market is Premium.

The beer market is dominated by Compañía Cervecerías Unidas (CCU), which is majority owned by the Luksic Group. CCU claims 85.8% market share through brands like Cristal, Escudo, Kunstmann, Morenita and Royal, and the licenses for Heineken, Budweiser, Corona and Guinness. It is followed by Cervecerías Chile, controlled by Inbev, which represent 12% of the market.



Wine production and exports have been growing at a much faster rate than its consumption in the country. Chile is the smallest per-capita consumer of wine of all wine producing countries.

Revenue from wine exports hit a record high in 2010 selling US\$ 1.5 billion – more than double its level in 2000. This put Chile as the fifth largest wine-exporter behind France, Italy, Spain and Australia. Viña Concha y Toro is Chile's largest wine producer and exporter, followed by Viña San Pedro.

Top Wine Exporters (2010):

Rank	Company	US\$ FOB	Quantity (Kg)
1	VINA CONCHA Y TORO S.A	\$280,154,438	106,616,810
2	VINA SAN PEDRO TARAPACA S.A.	\$ 94,196,785	36,765,211
3	VINA CONO SUR S.A	\$ 93,917,366	44,889,280
4	SOC.ANONIMA VINA SANTA RITA	\$ 55,859,984	13,348,668
5	RR WINE LTDA.	\$ 44,725,651	56,485,520
6	SOC.EXP. COM. VINA MAIPO LTDA	\$ 41,549,605	20,042,018
7	VINA SANTA CAROLINA S.A.	\$ 41,037,128	16,392,316
8	VINA ERRAZURIZ S.A.	\$ 37,245,256	8,728,662
9	MONTES SA.	\$ 36,517,138	5,881,450
10	VINA LUIS FELIPE EDWARDS LTDA.	\$ 35,825,540	14,546,263

Source: Chilean Customs

## Dried Goods and Condiments

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The size of the condiment market is estimated at US\$ 25 million. The boom of ethnic food consumption in Chile has helped this market rise intensely. Almost all of the seasonings are imported from different countries worldwide.

Chile is the third largest country in per capita pasta consumption with 9 kg per person per year. Production of pasta in Chile reaches 140,000 tons, exporting only 20,000. Carozzi is the most important company in the pasta sector, with more than 60% of market share and close to 100% penetration in Chilean homes. Lucchetti (owned by Corporacion Tresmontes) is the second largest company with 32% of the pasta market. Close to 75% of pasta is sold through supermarkets, and the rest is through traditional retailers.

Company (Product Types)	Sales (US\$) 2010	End-Use Channels	Production Location(s)	Procurement Channels
Carozzi (pasta, confectionery brands, sauces, dairy)	\$1,030 million	Retail, HRI and Exports	Chile (10) Peru (4) Argentina (2)	Direct (Local and Foreign) Distributors (Local and Foreign)
ICB (pasta, condiments & sauces, coffee & tea, dried meat, chocolates, chips)	US\$154 million	Retail and HRI	Chile (4)	Direct (Local)
Tresmontes (pasta, beverages, oil, desserts, sauces, snacks, soups)	\$110 million	Retail, HRI and Exports	Chile (8)	Direct (Local and Foreign)
Source: Corporate publications				

Canned soup is not popular in Chile, but powdered and dehydrated soups in envelopes are. Maggi (Nestle) is the traditional leader, but others like Naturezza and Knorr have gained market share through heavy advertising.

The pet food market has also been growing. It is a competitive market with little consumer loyalty. In Chile, there are approximately 155,000 tons of pet food consumed annually amounting to US\$ 137 million.

The main pet food importers that distribute to supermarkets and retail stores are Effem (Whiskas), Nestlé (Friskies, Purina Dog Chow and Alpo) and Pet Market (Bil Jac, Precept, ANF, Star Pro, Pet Time, Must and Windy Hill).

### Specialized Food Ingredients

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Large companies such as Carozzi import most of their ingredients from China because it is cheaper even than buying locally. U.S. products are not very popular because of their high cost.

Some important companies in this sector include: Duas Rodas of Brazil (coloring agents), Inducorn (Corn Products Chile), Lefersa, (Chilean yeast company), Puratos Chile (bakery, pastry and confectionery industry supplier) Iansa (sugar) and Cramer.

#### U.S. share of Chile imports

Competition from Mercosur suppliers remains fierce for meat, grains, soybean products and pet food, while domestic and European imports present the greatest challenge for U.S. processed foods.

## Comparative Chilean Food and Agricultural Product Imports

Product	Total Imports 2010 (US\$)	U.S. Imports 2010 (US\$)	U.S. Imports % Change '10/'09	U.S. % Market Share	Main Competitors (% of market share)
Beef	\$707,802,655	\$5,573,821	361.97 %	0.79%	Paraguay (61%), Brazil 15%), Argentina (13%)
Coarse Grains	\$261,488,786	\$8,479,729	-44.17%	3.24%	Argentina (71%), Paraguay (21%), U.S. (3%)
Dairy Products	\$43,497,682	\$17,044,768	177.39%	39.19%	U.S. (39%), Argentina (36%), New Zealand (5%)
Essential Oils	\$42,013,641	\$7,896,320	18.96%	18.79%	Argentina (35%), U.S. (19%), U.K. (12%)
Fish & Seafood	\$107,648,196	\$664,884	-10.47%	0.62%	Ecuador (36%), Thailand (16%), Colombia (15%)
Fresh Fruit	\$64,271,018	\$6,826,168	273.72 %	10.62%	Ecuador (89%), U.S. (3%), Peru (3%)
Fresh Vegetables	\$7,921,179	\$201,342	-9.04%	2.54%	China (63%), Peru (25%), Argentina (9%)
Fruit & Vegetable Juices	\$29,174,868	\$1,284,167	23.53%	4.40%	Argentina (38%), Brazil (36%), South Africa (8%)
Live Animals	\$7,309,650	\$1,911,803	-46.55%	26.15%	Brazil (37%), U.S. (26%), Canada (16%)
Pet Food	\$67,749,514	\$5,039,850	2.05%	7.44%	Argentina (87%), U.S. (7%), Brazil (3%)
Pork	\$37,925,090	\$10,022,477	272.3%	26.43%	Canada (46%), U.S. (26%), Brazil (21%)
Poultry	\$105,825,639	\$19,410,261	1700.4%	18.34%	Argentina (60%), Brazil (21%), U.S. (18%)
Processed Fruits & Vegetables	\$130,373,663	\$14,727,675	47.73%	11.30%	Argentina (19%), Belgium (12%), U.S. (11%)
Rice	\$63,993,287	\$810,636	181.24%	1.27%	Argentina (66%), Vietnam (14%), Uruguay (7%)

Snack Foods	\$96,445,795	\$8,447,767	29.20%	8.76%	Argentina (31%), Colombia (12%), U.S. (9%)
Sugar/ Sweetener/ Beverage Bases	\$292,004,040	\$2,362,163	23.55%	0.81%	Colombia (39%), Argentina (28%), Guatemala (26%)
Tea	\$48,728,206	\$384,150	94.32%	0.79%	Sri Lanka (42%), Argentina (32%), Brazil (8%)
Wheat	\$157,110,050	\$116,893,353	120.53%	74.40%	U.S. (74%), Canada (22%), Argentina (3%)
Wine & Beer	\$58,710,666	\$11,619,076	209.94%	19.79%	Argentina (31%), Mexico (31%), U.S. (20%)

Source: Chilean Customs

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## Chapter 5: Trade Regulations, Customs and Standards

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### Import Tariffs

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The U.S.-Chile Free Trade Agreement (FTA) came into force on January 1, 2004. Tariffs on 90% of U.S. exports to Chile were eliminated immediately. As of January 2007, 97% of all U.S. exports to Chile are duty free. The remaining 3% include duties primarily on agricultural products. Key U.S. exports such as autos and auto parts, computers and IT equipment, medical devices and construction and agricultural equipment all won instant duty-free access. In addition, in 2011 all products listed under category C gained duty free access. This category included dairy products, processed vegetables, seeds and canned meat products. By 2015, all trade between the two countries will be duty-free. For those products still subject to duty and products not of U.S. (or other FTA country) origin, Chile generally applies a uniform 6% duty.

The U.S.-Chile FTA further addresses other import taxes, which Chile applies. For example, under the FTA, Chile eliminated the 50% duty surcharge applied to used-goods originating from the United States. In addition, Chile agreed to phase out its luxury tax on U.S.-made automobiles. As of January 2007, the tax was eliminated completely. Certain other imported "luxury goods" incur a 15% tax upon entry into Chile. These include: beer, chicha, cider, wine and champagne; gold, platinum, and white ivory articles; jewelry and natural or synthetic precious stones; fine furs; mobile home trailers; caviar conserves and their derivatives; pyrotechnic articles, such as fireworks, petards, and similar items (except for industrial, mining or agricultural use); air or gas arms and their accessories (except for underwater hunting); and fine carpets and similar articles. Other liquors, such as grape pisco, whisky, aguardiente and liquorice wines face a 27% tax. Tobacco products, such as cigarettes, cigars and processed tobacco, are subject to additional 61%, 51% and 57.9% taxes, respectively. Additionally, all imports are subject to the same 19% Value Added Tax (IVA) imposed on domestic goods.

## Trade Barriers

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Chile has only a few barriers to imports or investments, allowing foreign firms to enjoy the same protections and operate under the same conditions as local firms. In agriculture, some exceptions apply. For example, there is an equivalency of the inspections systems for dairy, beef, and poultry and therefore the establishments no longer have to be individually inspected by the Chilean Ministry of Agriculture. Meanwhile, in the case of pet food and other animal products, individual establishments still must be inspected by the Ministry. Many import restrictions on fresh fruits have been resolved as a result of technical talks held annually and subsequent to the FTA negotiations under the Sanitary and Phyto-Sanitary Committee created with that purpose. Consequently, new market access is available for a wider range of fruits and vegetables, although exporters should contact the Department of Agriculture/APHIS to check on any restrictions before shipping to Chile.

Chile only approves the import of processed food products on a case-by-case basis. There is no blanket approval process for permitting identical products from different companies to enter Chile after they have been tested and found in compliance with local health regulations. To bring in a product, the importer must obtain the permission of the Health Service Officer at the port of entry, who will take samples and perform the necessary tests. Chile is increasingly following international standards such as the Codex Alimentarius, and labeling and fortification standards are very similar to U.S. standards. One distinction is that the label must be in Spanish. For more information regarding Chile's labeling requirements, see the Foreign Agricultural Service's Food and Agricultural Import Regulations report at [www.usdachile.cl](http://www.usdachile.cl).

## Import Requirements and Documentation

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The commercial forms used by both local importers and exporters are commercial invoices, certificates of origin, bills of lading, freight insurance and packing lists. Special permission, certificates, and approval documents, such as sanitary and phytosanitary certificates, are required for most agricultural products and in special cases for industrial products. Depending on the nature of the product, these certificates can be obtained at the USDA Food Safety Inspection Service (FSIS), USDA Animal and Plant Health Inspection Service (APHIS), USDA Agricultural Marketing Service (AMS), and the National Oceanic and Atmospheric Administration (NOAA). For documentation requirements specific to agricultural imports, see the SAG web site, [www.sag.cl](http://www.sag.cl) or contact the U.S. Foreign Agricultural Service in Chile, phone number, +56-2-2330-3704; e-mail: [AgSantiago@usda.gov](mailto:AgSantiago@usda.gov).

## U.S. Export Controls

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The U.S. does not maintain an embargo against or any export controls specific to shipments to Chile. However, U.S. exporters should verify applicable export controls

by reviewing information from the U.S. Department of Commerce and U.S. Department of State. See [www.export.gov/exportcontrols.html](http://www.export.gov/exportcontrols.html).

### **Temporary Entry**

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Under the terms of the U.S.-Chile FTA, Chile will permit duty-free temporary admission of professional equipment necessary for carrying out the business activity of a businessperson who qualifies for temporary entry under Chilean law. Temporary duty-free admission of goods intended for display or demonstration and commercial samples is allowed. For temporary entry of food samples, see [www.aduana.cl](http://www.aduana.cl), Acuerdos Internacionales, Tratados de Libre Comercio, Chile – Estados Unidos, Oficios Circulares, Oficio Circular N° 333. Contact the Commercial Service to add certainty to this process.

### **Labeling and Marking Requirements**

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Chile has fairly common labeling requirements for imported products. Among the most important requirements for U.S. exporters is that labeling must be in Spanish and measurements must be in the metric system. In addition, consumer products must display the country of origin before being sold in Chile. Packaged goods must be marked to show the quality, purity, ingredients or mixtures, and the net weight or measure of the contents. There are also specific requirements for canned food, shoes, foods, electric machinery, liquid and compressed natural gas equipment (LNG and CNG), plastics, wines and alcoholic beverages, textiles and apparel, wheat flour, detergents and insecticides for agricultural use.

Canned or packaged foodstuffs imported into Chile must bear labels in Spanish for all ingredients, including additives, manufacturing and expiration dates of the products, and the name of the producer or importer. All sizes and weights of the net contents also must be converted to the metric system. Goods not complying with these requirements may be imported but not sold to consumers until conversion is made. Thus, foodstuffs labeled in English must be re-labeled in Chile before they can be sold. For information on Chile's labeling requirements for food, see the Foreign Agricultural Service's Food and Agricultural Import Regulations at [www.usdachile.cl](http://www.usdachile.cl).

### **Prohibited and Restricted Imports**

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The importation of used passenger and cargo transportation vehicles is prohibited. Exceptions include the importation of off-the-road vehicles, used ambulances, armored cars, mobile homes, prison vans, street and highway cleaning vehicles, cement-making vehicles, hearses, and fire-fighting vehicles.

Firearms can be imported, but they require a special permit from a military authority in Chile. Controls for importing firearms are becoming more stringent.

The import of pharmaceuticals, cosmetics and most biological and bio-chemical preparations requires prior registration with the Institute of Public Health (Instituto de Salud Pública (see web site [www.ispch.cl](http://www.ispch.cl)) and is subject to special labeling and other requirements, depending on the nature of the product. Contact Commercial Specialist Veronica Pinto for questions related to pharmaceuticals: +56-2-2330-3369; [Veronica.Pinto@trade.gov](mailto:Veronica.Pinto@trade.gov).

Imported goods that are considered inconsistent with Chilean "morals, public health, national security, or the environment" require special authorization to enter Chile. These include certain chemicals/processes and some media products that face review and possible censorship. All films, videos and TV programs, imported or locally produced, are currently reviewed for suitability.

For more information regarding restrictions on agricultural product imports, see the Foreign Agricultural Service's Food and Agricultural Import Regulations at [www.usembassy.cl](http://www.usembassy.cl), Food & Agriculture, Food Regulation.

## Customs Regulations and Contact Information

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Chilean customs valuation uses the normal value of merchandise, without special discounts, plus freight and insurance (CIF). Used goods are valued by the customs service according to the current new value of similar merchandise, discounting ten % per year of use, up to a 70% discount. For more information, see the Chilean Customs web page at [www.aduana.cl](http://www.aduana.cl).

## Standards

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## Overview

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Chile's growing export industrial base and expanding presence in the region has proven to be the reason why general policy for defining technical regulation has increased to comply with international standards. Chilean standard guidelines follow those of the World Trade Organization (WTO), Committee on Technical Barriers to Trade.

In situations where required standards do not exist, the general policy is to turn to Chile's largest trading partners, including the European Union and the United States,



in order to determine what are the generally accepted norms being implemented around the world.

The “Instituto Nacional de Normalización” or National Standards Institute (INN) is the institution that is responsible for overseeing and developing the use of technical regulations in standardization and accreditation in Chile. Chile’s INN is the institution that fosters and develops the use of standards in Chile in three areas: standardization, accreditation and metrology. All the important and high profile standards cases are handled through the INN and its respective government offices. Certification is done only through accredited institutions. The accrediting institutions may have private, public, national and even international origin. As an example of this, the INN has accredited the U.S.-based Underwriters Laboratories (UL) to issue product certification.

Other factors influencing local policy in standardization are mentioned in chapter seven of the Free Trade Agreement (FTA) between the U.S. and Chile. The FTA addresses technical barriers to trade and calls on both countries to intensify their work in the field of standards, technical regulations, and conformity assessment procedures. This facilitates access to each other’s markets as well.

Both countries have agreed to identify bilateral initiatives that are appropriate for particular issues or sectors. Such initiatives include cooperation on regulatory issues, such as the equivalence of technical regulations and standards aligned with international standards. The reliance on a supplier’s declaration of conformity and the use of accreditation to qualify conformity assessment are also observed. Each country is also required to participate in the development of standards, technical regulations, and conformity assessment procedures. Chile’s INN already interacts with several standards institutions from around the world, including the U.S. Department of Commerce’s National Institute of Standards and Technology (NIST), the American National Standards Institute (ANSI) and the American Society for Testing and Materials (ASTM International).

## Standards Organizations

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In Chile, there are no standards associations like those found in the United States. The only organization charged with developing standards in Chile is the INN. Its web site is [www.inn.cl](http://www.inn.cl). Its long-term plan for the development of standards is aligned to Chile’s chief export sectors. These include copper, forestry, agro-products in general, and the wine industry.

### NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other member countries.

**Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

The most important national testing organizations are grouped under the following categories.

Testing laboratories  
 System Quality Auditors  
 Inspection organizations  
 Product certification  
 Calibration laboratories  
 Quality Management Systems (QMS)  
 Environmental Management Systems (EMS)

A few of the locally accredited organizations are mentioned below. A complete list of accredited testing organizations under each category can be found at <http://www.inn.cl/acreditacion/organismos/portada/index.php> under the **DIRECTORIO DE ACREDITADOS**.

Name	Address in Chile	Telephone
CESMEC Ltda. (Chile), División Certificación / ISO9000 <a href="http://www.cesmec.cl">www.cesmec.cl</a>	Av. Marathon 2595 Macul, Santiago	(56 2) 2350-2100
DICTUC S.A., (Chile) <a href="http://www.dictuc.cl">www.dictuc.cl</a>	Av. Vicuña Mackenna 4860 Macul, Santiago	(56 2) 2354-4886
Fundación Chile (Chile) <a href="http://www.fundacionchile.cl">www.fundacionchile.cl</a>	Av. Parque Antonio Rabat Sur 6165 Vitacura, Santiago	(56 2) 2240-0300
Bureau Veritas S.A. (France) <a href="http://www.bureauveritas.cl">www.bureauveritas.cl</a>	Av. Marathon 2595 Macul, Santiago	(56 2) 2485-9000
ISP (Instituto de Salud Pública de Chile) <a href="http://www.ispch.cl">www.ispch.cl</a>	Av. Marathon 1000 Nuñoa, Santiago	(56 2) 2575-5101
ICONTEC (Colombia) / ISO 9000 <a href="http://www.icontec.org.co">www.icontec.org.co</a>	Augusto Leguía Norte 100, Of. 306 Las Condes, Santiago	(56 2) 2657-8907
SAG (Servicio Agrícola y Ganadero) (Chile) <a href="http://www.sag.cl">www.sag.cl</a>	Av. Bulnes 140, Piso 8 Santiago Centro, Santiago	(56 2) 2345-1101
SGS-Chile Ltda. <a href="http://www.cl.sgs.com">www.cl.sgs.com</a>	Ignacio Valdivieso 2409 San Joaquín, Santiago	(56 2) 2898-9500
Corthorn Quality (Chile) <a href="http://www.corthorn.cl">www.corthorn.cl</a>	Palacio Riesco 4549 Huechuraba, Santiago	(56 2) 2580-8000

## Product Certification

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In most sectors, standards are not mandatory in Chile, but companies can voluntarily comply with them, especially in industries where such compliance constitutes a kind of “seal of approval.” However, certain imported products, such as those related to industrial safety, building and construction materials, and the gas and electricity industries, must comply with the specific requirements of the supervising entity. For example, there are specific regulations pertaining to the seismic resistance of new construction. The INN is also promoting ISO 14000 and ISO 9000 standards among local manufacturers. The chemical industry is an example of one industry that has incorporated ISO 9000 standards into its industrial processes.

For agricultural products, the U.S.-Chile FTA includes an agreement on red meat grading standards, which now allows U.S. boneless red meat products to be sold in the Chilean market according to U.S. standards. There are also Agreements on equivalency in the inspection and Control Systems of poultry and beef.

## Accreditation

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A complete list of accredited testing organizations under each category can be found at <http://www.inn.cl/acreditacion/organismos/portada/index.php> under the heading **DIRECTORIO DE ACREDITADOS**.

## Publication of Technical Regulations

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The name of Chile’s government bulletin is the “Diario Oficial”. Once regulations are approved by the INN, and officially accepted by Chile’s central government, they are published in the “Diario Oficial” and only those approved are published. Proposed regulations are never published in the “Diario Oficial”.

Regulations currently under discussion, a schedule of upcoming standards development committee meetings and a forum for public comment are available on the INN web page at <http://www.inn.cl/normalizacion/comites/portada/index.php>. Any institution, private or public, may request the services of the INN for the development of a standard in accordance with most procedures. Moreover, institutions and company representatives can be active participants in the committee that is created when defining a certain standard. U.S. company representatives have, in fact, participated in such study discussions. The application request is available on-line.

## Labeling and Marking

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As described previously in this section, Chile has fairly common labeling requirements for imported products. Among the most important requirements for U.S. exporters is that labeling must be in Spanish and measurements must be metric. In addition, consumer products must display the country of origin before being sold in Chile. Packaged goods must be marked to show the quality, purity, ingredients or mixtures, and the net weight or measure of the contents.

There are also specific requirements for canned food, shoes, foods, electric machinery, liquid and compressed natural gas equipment (LNG and CNG), plastics,

wines and alcoholic beverages, textiles and apparel, wheat flour, detergents and insecticides for agricultural use.

Canned or packaged foodstuffs imported into Chile must bear labels in Spanish for all ingredients, including additives, manufacturing and expiration dates of the products, and the name of the producer or importer. All sizes and weights of the net contents also must be converted to the metric system. Goods not complying with these requirements may be imported but not sold to consumers until the conversion is made. Thus, foodstuffs labeled in English have to be re-labeled in Chile before they can be sold. For information on Chile's labeling requirements for food, see the Foreign Agricultural Service's Food and Agricultural Import Regulations at [www.usdachile.cl](http://www.usdachile.cl).

## Contacts

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The Standards Liaison at the U.S. Embassy in Santiago is Ms. Claudia Melkonian, Phone: +56-2-2330-3312; Fax: +56-2-2330-3172; E-Mail: [claudia.melkonian@trade.gov](mailto:claudia.melkonian@trade.gov); web site: <http://export.gov/chile/en>  
INN, Head of Standards Division is Ms. Claudia Cerda. Phone: +56-2-2445-8870; E-Mail: [claudia.cerda@inn.cl](mailto:claudia.cerda@inn.cl); website [www.inn.cl](http://www.inn.cl).  
The Government of Chile's Contact Point for WTO Technical Barriers to Trade is Ms. Carolina Ramírez, Head of Standards Department for WTO, Direcon, Phone: +56-2-2827-5447; Email: [caramirez@direcon.gob.cl](mailto:caramirez@direcon.gob.cl); web site: [www.direcon.cl](http://www.direcon.cl)

## Trade Agreements

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Chile continues to be a critical partner in promoting U.S. foreign policy goals throughout the region. In January 2010, Chile became the 31<sup>st</sup> member of the OECD and the first, and only, South American member. It is also a member of the WTO and the Cairns Group. The U.S.-Chile Free Trade Agreement (FTA) entered into force on January 1, 2004, and will be fully implemented in 2015. Chile is also one of eleven countries negotiating the Trans-Pacific Partnership (TPP) Agreement and a founding member of the Pacific Alliance. Chile has also negotiated 26 trade agreements of which 22 have been ratified by its Congress, covering 59 countries. These agreements include 13 FTAs (Canada, Mexico, U.S., Korea, EFTA which includes Island, Liechtenstein, Norway and Switzerland, China, India, Panama, Peru, Australia, Colombia, Turkey and Malaysia), 4 Economic Association Agreements (EU which includes the 27 country members, Japan, Ecuador and P-4, which includes New Zealand, Singapore and Brunei Darussalam), 3 Economic Cooperation Agreements (Bolivia, Venezuela and Mercosur which includes Argentina, Brazil, Paraguay (currently suspended), Uruguay, and Venezuela, and 2 Partial Association Agreement which includes India and Cuba. Pending ratification are FTAs with Vietnam, and Hong Kong and the chapter on Investments with China. Chile is also an active member of the Inter-American Institute for Cooperation on Agriculture and the Asia-Pacific Economic Cooperation.

Chile is also a member of OMPI, and "Pathways to Prosperity".

This network of trade agreements has significantly improved market access for Chilean products and exports. Chile sends roughly 30% of its exports to Asia, 25% to the European Union, 20% to NAFTA countries, and the rest to Latin American and other markets. For more information on Chile's trade agreements, see [www.direcon.cl](http://www.direcon.cl).

## Web Resources

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U.S. Government:	<a href="http://www.export.gov">www.export.gov</a>
U.S. Commercial Service Santiago:	<a href="http://www.buyusa.gov/chile/en">www.buyusa.gov/chile/en</a>
USDA Foreign Agricultural Service:	<a href="http://www.fas.usda.gov">www.fas.usda.gov</a>
U.S. Embassy Santiago:	<a href="http://chile.usembassy.gov/">http://chile.usembassy.gov/</a>
U.S. Government information on exports controls:	
<a href="http://www.export.gov/exportcontrols.html">www.export.gov/exportcontrols.html</a>	
Government of Chile:	<a href="http://www.gobiernodechile.cl">www.gobiernodechile.cl</a>
Ministry of the Economy:	<a href="http://www.economia.cl">www.economia.cl</a>
Standards Development Organization:	<a href="http://www.inn.cl">www.inn.cl</a>
Ministry of Foreign Affairs (Economic Directorate):	<a href="http://www.direcon.cl">www.direcon.cl</a>
Customs Service:	<a href="http://www.aduana.cl">www.aduana.cl</a>
Institute of Public Health:	<a href="http://www.ispch.cl">www.ispch.cl</a>
Agriculture and Livestock Service:	<a href="http://www.sag.cl">www.sag.cl</a>

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## Chapter 6: Investment Climate

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### Openness to Foreign Investment

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For the last three decades, Chile has made foreign direct investment (FDI) an essential part of its national development strategy. Chile's sound, market-oriented policies have created significant opportunities for foreign investors to participate in the country's steady economic growth. Chile's business climate is generally straightforward and transparent. Foreign investors receive treatment similar to Chilean nationals in nearly all sectors. There are generally no special exemptions or incentives for FDI as a matter of policy. A broad political consensus on the advantages of foreign investment means that Chile's policies towards FDI are unlikely to change.

FDI in Chile must enter through either of the following mechanisms: the Foreign Investment Statute Decree Law 600 (DL600) or Chapter XIV of the Central Bank's Compendium of Foreign Exchange Regulations (CFER). The minimum investment under DL600 is USD 5,000,000 in currency and USD 2,500,000 in the case of fixed assets, technology, debt capitalization, and profit reinvestments. FDI valued below these levels but above USD 10,000 is made through Chapter XIV of the Central Bank's CFER.

Chile's openness and transparency to FDI are embodied in DL600. This law has been the main regulatory norm for FDI in Chile during the last 40 years. Under DL600, a foreign investor signs a contract with the Government of Chile (GOC) establishing the terms of the investment. The general regulations, terms, interest,

and other modalities of foreign credit contracts as well as surcharges related to total costs to be paid by the debtor, including commissions, taxes, and expenses must also be authorized by the Central Bank of Chile. DL600 allows for capital increases in a given investment.

Chile's Foreign Investment Committee (FIC), the entity responsible for administering DL600, establishes the terms and conditions of the investment. Applications are typically approved within a matter of days and almost always within a month. The FIC's authority to reject a foreign investment is severely limited by the Chilean Constitution. The FIC's decision can be appealed if an investment is rejected. Chapter XIV establishes regulations that govern foreign exchange operations related to credits, deposits, investments, and capital contributions originating abroad. Investments made under Chapter XIV do not involve signing a contract with the Chilean state. Instead, the Central Bank grants authorization for a given investment. FDI made under Chapter XIV must be in a foreign currency and does not convey any special rights to the investor, such as access to a guaranteed tax rate. The investor must inform the Chilean Central Bank of the investment through a commercial bank or other authorized financial institution. FDI valued at less than USD 10,000 does not require Central Bank approval.

In 2002, the Chilean Government launched an Investment Platform Initiative aimed at attracting international corporations' Latin American headquarters to Chile. As part of this initiative, an eligible company can make use of a variety of incentives, including tax exemptions for overseas shareholders based on certain criteria and a lack of restrictions on domestic borrowing by a platform company. The Initiative addresses the problem of three-way taxation by exempting platform companies from Chilean tax on overseas earnings and provides foreign investors with additional incentives to invest in Chile. This Initiative is meant to foster regional joint ventures between foreign investors and Chilean partners. To facilitate the entry of foreign capital into Chile, the Initiative also allows companies that are already established in the region to move their centers of operation to Chile without incurring the transaction costs involved in selling and re-buying assets.

Increasing public participation complicated investment projects in certain cases in 2012 and created uncertainty for investors. For example, a project by a Brazilian company to build a coal-fired power plant in northern Chile was withdrawn after failing to obtain required environmental approvals, a direct result of significant challenges from an increasingly sophisticated environmental movement.

There are no restrictions on foreign investment in telecommunications, but investors must acquire a license, and the number of licenses available is limited in some new sectors of the industry. Certain types of investment projects require additional authorization beyond that of the FIC. For example, projects in the copper mining sector require the Chilean Copper Commission's authorization; investments in the fishing sector require the approval of the Under-Secretariat of Fishing; authorization from the Bank and Financial Institutions Regulatory Agency is required to operate in the banking sector; and the Securities and Exchange Commission must authorize projects related to insurance and investment funds. Additional authorizations are required from the Pension Funds and Private Health Insurance regulatory agencies to participate in those sectors. For projects with a potential environmental impact, authorization is required from the Environmental Evaluation Service, a decentralized

service related to but independent from the Ministry of Environment. Chile also maintains national security related restrictions on investments in the areas of nuclear energy, defense, maritime transportation, real estate, and mining.

Profit remitted, withdrawn or distributed to foreign investors is subject to a withholding tax. Dividends paid to foreign shareholders are subject to an additional 35 percent tax on distribution, but a credit of 17 percent is given against the additional tax where the amounts at issue were subject to Chile's First Category tax. The company must withhold the additional tax. The same tax procedure applies to remittances of profit made to partners and to profit withdrawn by foreigners.

The United States-Chile Free Trade Agreement (FTA) entered into force on January 1, 2004. The chapter on investment is modeled on the standards found in agreements throughout the world such as U.S. bilateral investment treaties and customary international law. The main objective of the FTA chapter is to provide stability and security to investors. It provides six basic forms of protection:

- Non-discriminatory treatment, based on national treatment and most-favored-nation treatment, for investors from either country;
- Freedom from performance requirements;
- Free transfer of investment funds;
- Expropriation only when consistent with international law;
- A minimum standard of treatment in customary international law; and
- The ability to hire key managerial and technical personnel without regard to nationality.

Measure	Year	Index/Ranking
TI Corruption Index	2012	72 / 20 (one spot behind U.S.A.)
Heritage Economic Freedom	2012	78.3 / 7 (three spots ahead of U.S.A.)
World Bank Doing Business	2012	37
MCC Gov't Effectiveness	N/A	N/A
MCC Rule of Law	N/A	N/A
MCC Control of Corruption	N/A	N/A
MCC Fiscal Policy	N/A	N/A
MCC Trade Policy	N/A	N/A
MCC Regulatory Quality	N/A	N/A
MCC Business Start Up	N/A	N/A
MCC Land Rights Access	N/A	N/A
MCC Natural Resource Mgmt	N/A	N/A



Chile's regulation ensures that capital markets are well developed and open to both foreign portfolio investment and FDI. In May 2000, Chile eliminated the one-year withholding period requirement for foreign capital entering the country under Chapter XIV. This type of investment capital may now be repatriated immediately without penalty.

A second major initiative in 2000 was the discontinuation of the use of the "encaje" or lock-in, which required foreign investors to deposit 30 percent of foreign-sourced loans and portfolio investment with the Central Bank in a non-interest-bearing account for up to two years. The Central Bank reserves the right to re-impose the "encaje" mechanism if needed in the future.

About a decade ago the Chilean government delivered important reforms and measures aimed at promoting savings in investment securities, including by exempting capital gains taxes on highly traded stocks of publicly traded companies, lowering taxes for foreign investors on interest payments, and advancing in the integration of Chilean capital markets to the international financing market. A second set of reforms in 2005-06 aimed at promoting broader financing alternatives of high growth, emerging companies (small- to medium-sized enterprises, SMEs) and tax incentives for the development of a local risk capital fund management industry. In June 2007, the GOC passed Law 20.190 that introduced tax incentives to promote venture capital. The law improves the availability of financial resources for SMEs and provides tax benefits to public as well as private venture capital funds. Law 20.190 authorizes Chile's Development Promotion Agency (CORFO, [www.corfo.cl](http://www.corfo.cl)) to take an equity position of up to 40 percent in specialized venture capital funds. It also allows banks to invest up to the equivalent of one percent of their asset base in venture capital through investment fund administrators and subsidiaries.

A third capital market reform was introduced in 2010, aimed at increasing security levels of financial transactions, stronger custodial, clearing and payment, and reinforcing regulatory and supervision capabilities. These improvements involved guidance in the form of regulations and the sharing of best practices related to investment funds, derivatives and insurance companies. This set of reforms aims to improve current levels of competition in the credit market by increasing available credit instruments and to improve consumer information. The reform also increases liquidity, deepens credit markets, improves flexibility for investment funds, creates Exchange Traded Funds (ETFs), allows access to secondary markets, and fosters investment in mutual and investment funds. Another initiative already underway, the Bicentennial Capital Market Reform, aims to modernize and deepen the Chilean capital market; provide financial protection to consumers; and improve insurance and banking regulations.

Investors, importers, and others are guaranteed access to foreign exchange in the official inter-bank currency market without restriction.

The Central Bank reserves the right to deny access to the inter-bank currency market for royalty payments in excess of five percent of sales. The same restriction applies to payments for the use of patents that exceed five percent of sales. In such

cases, firms would have access to the informal market. The Chilean tax service reserves the right to prevent royalties of over five percent of sales from being counted as expenses for domestic tax purposes.

Under the Investment Chapter of the U.S.–Chile FTA, each government must allow transfers of covered investment to be made freely and without delay into and out of its territory. These include transfers of profits, royalties, sales proceeds, and other remittances related to the investment. However, for certain types of short-term capital flows, the chapter allows Chile to impose transfer restrictions for 12 months as long as those restrictions do not substantially impede transfers. If restrictions are found to impede transfers substantially, damages accrue from the date of the initiation of the measure.

## **Expropriation and Compensation**

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Chilean law grants the government authority to expropriate property, including property of foreign investors, only for public or national interests, on a non-discriminatory basis and in accordance with due process of law.

The law requires the payment of compensation without delay at fair market value, in addition to any applicable interest. The government has not nationalized a private firm since 1973.

## **Dispute Settlement**

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Disputes involving U.S. investors have been typically settled in negotiations between the investor and the appropriate government entity. Disputes have been referred to the local judicial system although the time required for resolution may make this an unattractive option for foreign investors. Because of high case loads, understaffing and antiquated procedures, resolution of business disputes in the civil court system often takes four to five years. Accordingly, litigants often choose to settle out of court. A suit may also be brought in court under expedited procedures involving the abrogation of constitutional rights.

The FTA Investment Chapter provides a mechanism for investors to pursue a claim against a host government that is in breach of the FTA's investment obligations, an investment agreement, or an investment authorization. An exception is disputes related to investment authorizations under DL600, which are *not* subject to this mechanism. Only agreements signed within two years of the FTA's entry into force may make use of this mechanism. Under this section, the investor pursuing a claim may submit a claim under the International Center for Settlement of Investment Disputes (ICSID) Convention or under the United Nations Commission on International Trade Law (UNCITRAL) arbitration rules. Any other mutually agreed upon arbitral institution may also be utilized. Rules agreed upon by the parties will govern the proceedings except to the extent that they are inconsistent with the FTA. An investor must give notice of intent to arbitrate at least 90 days before submitting a claim, and must wait at least six months from the time of the event which gave rise to the claim before initiating a proceeding. All claims must be brought within three years of the date when the claimant acquired knowledge of the breach and/or injury.

The FTA chapter on investments encourages consultations or negotiations before recourse to dispute settlement mechanisms. If the parties fail to resolve the matter, a claim for arbitration can be submitted by the investor. Provisions in Section C of the FTA ensure that the proceedings are transparent by requiring that all documents submitted to or issued by the tribunal be available to the public, and by stipulating that proceedings be public. The tribunal must also accept amicus curiae submissions. The FTA chapter on investments establishes clear and specific terms for making proceedings more efficient and avoiding frivolous claims. Domestic law is to be applied to all contracts. However, arbitral tribunals decide disputes in accordance with FTA obligations and applicable international law.

The judicial system in Chile is generally transparent and independent. The likelihood of government intervention in court cases is low. If a state-dependent firm is involved in the dispute, the GOC may become directly involved through the State Defense Council. In cases where courts determine a firm is bankrupt, a receiver is named to distribute the debtor's remaining assets to the creditors.

## **Performance Requirements and Incentives**

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Chile's Foreign Investment Committee does not apply performance requirements in its review of projects. The investment chapter in the U.S.–Chile FTA establishes rules prohibiting performance requirements that apply to all investments, whether by a third party or domestic investors.

The FTA investment chapter also regulates the use of mandatory performance requirements as a condition for receiving incentives and spells out the exceptions. These include government procurement, qualifications for export and foreign aid programs, and non-discriminatory health, safety, and environmental requirements. Chile does not subsidize foreign investment nor does it offer any special tax exemptions. There are, however, some regional incentives linked to isolated geographical zones and to the information technology sector. These benefits relate to co-financing of feasibility studies as well as to incentives for the purchase of land in industrial zones, the hiring of local labor, and the facilitation of project financing. Other important incentives include accelerated depreciation accounting for tax purposes, special tax treatment for retained earnings, and legal guarantees for remitting profits and capital.

Chile has other special incentive programs aimed mostly at promoting investment and employment in remote or disadvantaged regions, the development of new businesses, support for micro-, small-, and medium-sized enterprises, and promotion of technological innovation.

Since 2001, CORFO has implemented the "Chile Invests" plan with the goal of fostering FDI outside the Santiago Metropolitan Region in certain sectors. A key objective of the plan is to encourage investment in areas of non-traditional technology such as biotechnology, research and development of new materials, electronics and engineering processes, and new production techniques to increase the value added to natural resource exports. The plan also promotes investment in the energy sector mainly for non-conventional renewable energy projects. CORFO provides co-financing programs to pre-investment feasibility studies for projects using renewable non-conventional energy resources.

The Arica Law of 2001 grants tax credits to companies in the provinces of Arica and Parinacota. Investment projects amounting to over 2,000 UTM (about USD 145,000) in Arica are eligible for a tax credit of 30 percent of the value of the fixed physical assets (40 percent for tourism projects). Investment projects totaling more than 1,000 UTM (about USD 76,000) in Parinacota are eligible for a tax credit of 40 percent of the value of the fixed physical assets. These incentives are available until December 31, 2030. [NOTE: The Unidad Tributaria Mensual (UTM) is an inflation-indexed measure of value, adjusted on a monthly basis. On January 18, 2013, 1 UTM was equivalent to about USD 85.

A third investment promotion plan for the province of Tierra del Fuego in Region XII (Magallanes) is available for mining, manufacturing, transport, fishing and tourism companies that produce goods or services made up of at least 25 percent of local labor and inputs.

Other investment incentives have been introduced through the “Chile Competes Plan.” The Plan includes an exemption from the income tax normally paid by institutional investors, such as mutual funds and pension funds, on earnings from the transfer of corporate stock that is publicly traded, or bonds or other publicly offered securities representing debt issued by the Central Bank of Chile, the Chilean Government, or by companies incorporated in Chile.

In January 2011, the Ministry of Economy, using CORFO, established a three-year, USD 40 million program, known as “StartUp Chile,” whereby selected entrepreneurs receives a USD 40,000 grant and a Chilean work visa to develop a “start up” business in Chile. Upon admittance into the program, an entrepreneur is given six months to develop a project and then promote it through a series of pitches and seminars at local universities, corporate meetings and other community outreach.

## **Right to Private Ownership and Establishment**

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Except for the limitations in the fisheries and media sectors noted above, Chile does not, in general, restrict the right to private ownership or establishment. Section 24 of Article 19 of the Constitution establishes the “absolute, exclusive, inalienable and permanent domain” of the Chilean state over all mineral, hydrocarbon, and fossil fuel deposits within Chilean territory. Under Chilean law, the Government may grant concession rights to individuals and companies for exploration and development of these natural resources for a finite period. There are also national security-related measures regarding the purchase of real estate by foreigners in certain geographic areas, such as near land borders with Chile’s neighbors.

## **Protection of Property Rights**

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Because of concerns about its commitment to the protection of intellectual property rights (IPR), Chile has been on the Special 301 Priority Watch List (PWL) since January 8, 2007. The Chilean government has undertaken a number of legislative reforms to strengthen its IPR regime and bring it in line with international commitments, including the U.S.-Chile Free Trade Agreement (FTA). However, there

are still substantive deficiencies in Chile's IPR laws and enforcement of existing IPR protections. Of particular concern are inadequate patent and test data protection in the pharmaceutical sector; copyright piracy of movies, music, and software; and Chile's failure to protect encrypted program-carrying satellite signals.

The 2012 Special 301 Report notes steps Chile has taken to address outstanding IPR issues under the United States-Chile Free Trade Agreement, including accession to the Convention Relating to the Distribution of Programme Carrying Signals Transmitted by Satellite and the Trademark Law Treaty. Chile has also taken, the report notes, steps toward acceding to and ratifying the International Convention for the Protection of New Varieties of Plants (UPOV). The report urges Chile to: implement an effective system for addressing patent issues expeditiously in connection with applications to market pharmaceutical products; implement protections against the circumvention of technological protection measures and protections for encrypted program-carrying satellite signals; ensure that effective administrative and judicial procedures and deterrent remedies are made available to IPR holders; provide adequate protections concerning undisclosed test or other data generated to obtain marketing approval for pharmaceutical products; and amend its internet service provider liability regime to permit effective action against piracy over the internet.

The U.S.-Chile FTA seeks to strengthen protection for valid patents and their accompanying clinical test data. For example, the FTA provides for the extension of the protection period for patents when there are unjustified delays in the patenting process. The FTA also requires parties to protect confidential information provided to authorities in order to obtain marketing or health permits for pharmaceutical products and agricultural chemicals. In addition, the FTA establishes the obligation to undertake reasonable efforts to extend patent rights to qualifying plants. In 2012, the United States and Chile held several meetings to exchange information and review implementation of the IPR provisions of the FTA. In addition to urging Chile to address IPR issues in the pharmaceutical industry, the United States has asked Chile to implement protections against the circumvention of technological protection measures, to implement protections for encrypted program-carrying satellite signals, and to ensure that effective administrative and judicial procedures and deterrent remedies are made available to rights holders.

Chile has been a member of the World Intellectual Property Organization (WIPO) since 1975 and joined the Treaties on Copyright and Performances and Phonograms in April 2001. Chile approved legislation to comply with TRIPS obligations related to industrial property in December 2004. The law provides, among other protections, for expedited court proceedings and the authority to seize illegal copies of patented products. In 2008, Chile ratified the Patent Cooperation Treaty (PCT), which came into force in June 2009.

The U.S. and Chile have committed to making a system available for the resolution of disputes regarding internet domain names. This follows international standards with respect to problems such as the cyber piracy of brands and trademarks for country domain names. Furthermore, both countries committed to creating a database containing information on individuals who have registered higher-level domain names. This database will protect the personal data of those who have registered.

## **Transparency of Regulatory System**

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Chilean regulatory systems tend to be transparent, and government regulators generally have little discretion in carrying out their duties. While rulemaking processes do not generally include formal provisions for public hearing or comment, opening a business is normally easier in Chile than in many other developing countries. The World Bank's "Doing Business 2013" report ranks Chile 32<sup>nd</sup> of 185 economies (previously 27<sup>th</sup> of 183 in 2011) for ease of starting a business. The U.S.–Chile FTA establishes some additional obligations for transparency in regulatory processes.

## **Efficient Capital Markets and Portfolio Investment**

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Chile's capital markets are well-developed and open to foreign portfolio investors. Credit is allocated on market terms and is available to foreigners although the Central Bank does reserve the right to restrict foreign investors' access to internal credit if a credit shortage exists. To date, this authority has not been exercised. Publicly traded Chilean companies attract substantial international investment. In late 2000, the Chilean Congress approved legislation on public stock tenders that provides greater legal protection of minority shareholder rights.

In November 2001, the core measures in the far-reaching "Capital Market Reform I" came into force. This first reform: provided more flexibility for the insurance and mutual-fund industries; abolished income tax on capital gains from the sale of frequently traded shares; promoted voluntary (pre-tax) contributions by employees to pension plans (mirroring the U.S. 401K option); created five funds with different risk-return profiles instead of a single option administered by the private pension fund administrators (AFPs); and created asset-management entities to manage several types of funds, such as mutual funds, investment funds and mortgage companies. Capital market reform leveled the playing field for foreign investors in the local market and those who invest in Chilean bonds abroad. This has slowly increased demand for local debt instruments among new foreign investors.

In June 2007, "Capital Market Reform II" entered into force to promote the development of the venture capital industry, strengthen the stock and exchange markets, deepen other Chilean financial markets, broaden the existing scheme of voluntary contributions for pensions, improve standards for corporate governance in accordance with OECD standards, and increase supervision over the market. In September 2009, the GOC introduced "Capital Market Reform III" aimed at providing better levels and quality of credit to SMEs and internationalizing the Chilean capital market. Passed in 2010, this third reform increased liquidity and depth of the capital market, enlarged the financial markets, promoted competition within the credit market, and facilitated integration of Chilean capital markets by promoting participation of non-residents. One particular reform, Law 20,448, provided grounds for the growth of Exchange Traded Funds (ETFs) in Chile by amending the mutual fund statute in order to allow the payment of shares by contributing a basket of securities that mirrors the investment portfolio of the fund.

In 2010, President Sebastian Piñera's government introduced a new package of capital reforms called the "Bicentennial Capital Market Reform." This new reform

consists of over 20 separate bills aiming to: deepen integration with international capital markets; introduce regulatory measures to promote innovation and undertakings; improve competition, oversight and transparency; increase liquidity and access to financial markets; and improve standards for corporate governance and customer protection.

Under the U.S.-Chile FTA, U.S. insurance firms have full rights to establish subsidiaries or joint ventures for all insurance sectors, with limited exceptions. A program is underway to phase in insurance branching rights and to modify Chile's legislation to open cross-border supply of key insurance sectors such as marine, aviation, and transport (MAT) insurance, and insurance brokerage of reinsurance. U.S. banks and securities firms are allowed to establish branches and subsidiaries and may invest in local firms without restriction, except under very limited circumstances. U.S. financial institutions are also able to offer financial services to citizens participating in Chile's privatized voluntary saving plans, and they have gained increased market access to Chile's mandatory social security system. U.S.-based firms are allowed to offer services in Chile in areas such as financial information, data processing, and financial advisory services, with limited exceptions. Under the measures outlined in "Capital Market Reform III," Chilean mutual funds are permitted to use foreign-based portfolio managers.

In May 2011, the stock markets of Chile, Peru and Colombia merged to become the second largest trading market in Latin America after Brazil. This market alliance, known as the Integrated Latin American Market (MILA) hopes to better expose investors to assets linked to the region's natural resources. Chile's IPSA Index is a total return index and is composed of 40 highly traded stocks. The IPSA has been calculated since 1977 and is revised on a quarterly basis.

The main institutional investors and suppliers of capital to local companies are the pension fund administrators (AFP) as well as insurance companies, mutual funds and banks. More than half of the instruments issued in the fixed-income market are held by institutional investors.

Pension funds are the largest institutional investors followed by insurance companies. As of September 2012, Chile's seven AFPs managed a total investment portfolio of USD 151.6 billion, representing about 76 percent of Chile's GDP. The pension funds administered by the AFPs belong to 9.2 million contributors. As of September 2012, the total resources under AFP administration were distributed in five different types of funds of varying degrees of risk. As of July 2012, accumulated savings in the voluntary contributions system (APV) of the AFP system totaled USD 4.3 billion that belong to 735,170 contributors.

The GOC has been raising the percentage of pension funds that can be invested overseas. In 2008, a reform package of the pension system was approved by Congress increasing the threshold for pension fund administrators to invest abroad (from 30 to 60 percent of their funds). The reform package also set the foundation on which to build a "solidarity pillar" to increase coverage among lower-income contributors and self-employed workers and expand social security assistance coverage. Total spending in 2012 on "solidarity pension payments" reached USD 286.2 million.



As of September 2012, insurance companies managed more than USD 6 billion in assets. Insurance companies invest a major share of their portfolio in fixed-income securities.

The Chilean banking system is sound, competitive, and meets Basel standards. There are currently 25 banks operating in Chile, and 12 are foreign-owned representational branches. Only one bank is completely owned by Chilean economic interests (BCI). The rest have some level of incorporation with foreign institutions. Foreign banks can compete on the same terms as their domestic rivals. There are also five local savings and loan corporations, and one state-owned bank, Banco Estado, which is the nation's third largest. Private banks manage most corporate business.

The Chilean banking industry is subject to strict limits on lending to a single debtor or group of related companies. This is capped at five percent of the capital and reserves of a bank for collateral-free loans and at 25 percent for collateralized loans (fixed assets).

In 2009, Chile enacted several reforms as part of the process to join the Organization for Economic Cooperation and Development (OECD). One of these reforms was a law that Chile enacted in 2009 allowing for the exchange of tax information between tax authorities, including information based on bank account activity (information previously restricted under Chilean law). As of September 2012, there was a low level of systemic risk within the system due to a sound regulatory framework. As a result, the rate of non-performing loans remained low, at 2.75 percent, and the aggregate loans-to-deposits ratio was stable at 119 percent.

Summary of Chilean Banking System (November 2012):

Total Loans – USD 220.1 billion

Deposits – USD 182.7 billion

Total Assets – USD 294.4 billion

Source: Chile's Superintendence of Banks and Financial Institutions

General Information on the Financial Market (November 2012)

Banks and Financial Institutions: 25 participants. Total Loans: USD 220.1 billion

Pension Funds: 6 administrators. Funds under management: USD 151.6 billion

Insurance Companies: 59 (26 general insurers, 33 life insurers).

According to the World Economic Forum's Global Competitiveness Report for 2012-2013, Chile is the most competitive country of South America and the third most competitive of the Americas after the U.S. and Canada. Chile is ranked 33rd in the world.

## **Competition from State Owned Enterprises**

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Chile has relatively few state-owned enterprises (SOEs), most having been privatized during the military government's economic reforms between 1974 and 1989. Notable SOE's are the national copper company, CODELCO; the national petroleum company, ENAP; the National Postal System (Correos de Chile); and the state-owned bank, Banco Estado.



In general, private enterprise is allowed to compete with public enterprise under the same terms and conditions (e.g., there are many private copper mines and private banks). However, there are specific areas where this does not hold and SOEs enjoy special advantages. For example, ENAP is the only refining company in Chile. Most SOEs in Chile are structured so that the company management reports to a board of directors, which includes the relevant government minister (e.g., the Minister of Mining sits on ENAP's board of directors). Most board members are independent representatives from the private sector and academia, or from that industry's main labor union or trade association. Board members are usually designated by the President of Chile.

Chile passed a law in October 2009 which modifies CODELCO's corporate governing structure. The law removes the Ministers of Finance and Mining and a representative of the military from the board of directors. It also expands the board to nine members, three of whom are designated by the President of Chile, two of whom are nominated by CODELCO's labor unions and approved by the President of Chile, and four of whom are elected by the Consejo de Alta Dirección Pública (Chile's independent committee that makes high-level civil service appointments) and subsequently approved by the President of Chile.

Chile has two sovereign wealth funds constituted principally from state copper revenues. The Economic and Social Stabilization Fund (FEES) was established in 2007 and was valued at USD 14.9 billion in November 2012. The Reserve Pension Fund was established in 2006 and was valued at USD 5.8 billion in November 2012. The stated purpose of this fund is to assist the Government with payments to those eligible to receive pensions but who remain indigent (Chile uses a privatized pension system). A third sovereign wealth fund, called the Bicentennial Fund, encourages Chileans to study abroad through the use of government funded scholarships. The sovereign wealth funds are administered by the Chilean Central Bank, at the direction of the Ministry of Finance. The Ministry of Finance receives advice on policy related to the funds from an external Finance Committee made up of independent advisors. The Ministry of Finance publishes monthly, quarterly, and yearly reports on the funds.

## **Corporate Social Responsibility**

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There is general awareness of corporate social responsibility among both producers and consumers in Chile. As part of the OECD accession process, Chile passed a law in September 2009 setting out new rules to help bolster corporate social responsibility.

## **Political Violence**

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The incidence of terrorist activity and civil disturbance is generally low in Chile, and the violence that has occurred has had little impact on the Chilean economy. Crime rates are moderate throughout the country, and the vast majority of crimes are nonviolent. During the last 10 years there have been relatively few incidents of politically motivated attacks on investment projects or installations. In 2012, there

were occasional incidents of vandalism of storefronts and public transport during student protests over education reform, some of which included violent incidents. Incidents of anti-American sentiment and civil disorder are rare, and there have been no attacks known to be attributable to international terrorist organizations. However, since 2007 Chile has experienced a number of small-scale bombings targeting mostly banks, but also a police station, a political memorial and the U.K. Embassy, the offices of a major newspaper and magazine publisher, and a prominent Catholic cathedral. Anarchist groups have claimed credit for some of the bombings. There have also been violent incidents on farms and forestry plantations in south-central Chile, resulting in three deaths in 2012. Many of these incidents are related to the land claims and other grievances of indigenous people (the Mapuche Native American group) in regions VIII (Bio-Bio) and IX (Araucania).

## Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of

this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

**OECD Antibribery Convention:** The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

**UN Convention:** The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) [Insert information as to whether your country is a party to the OAS Convention.]

**Council of Europe Criminal Law and Civil Law Conventions:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law

Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see [www.coe.int/greco](http://www.coe.int/greco).) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at [www.trade.gov/cs](http://www.trade.gov/cs).

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp).

**Guidance on the U.S. FCPA:** The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion

procedure are available on DOJ's Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa). Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html). More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Corruption in Chile is generally limited. Since 2003, Chile has had laws in place that establish a more efficient and professional civil service through performance-based incentives and a reduction in political appointee positions in public service positions. In 2005, the GOC passed a law to regulate political party and candidate financing to further deter corrupt government practices.

Chile has signed and ratified the Organization of American States (OAS) Convention against Corruption. Chile is also a signatory to the OECD Convention on Combating Bribery, fulfilling the necessary accession processes, including implementation of its Anti-Bribery Convention obligations.

In 2007, a new law came into force that provides protection for public employees who denounce irregularities or violations in accountability standards and at the same time, Chile ratified the United Nations Convention against Corruption. In 2009, Chile passed a transparency law obligating government offices to public information about expenditures, employee salaries, and other fiscal data. It also mandates that citizens be provided up-to-date information on how to access government services and request information. The law created an autonomous Transparency Council which is charged with implementing the requirements of the law. The Piñera administration has launched a campaign to educate citizens about their right to access public information and created Chile Atiende, an online and in-person platform to streamline access to common government services.

Chile is an active member of the Open Government Partnership (OGP).

#### Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa>.

Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available



at:[http://www.oecd.org/departement/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html). See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.

General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html).

Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009). TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.

The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.

The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.

Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.

Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

## **Bilateral Investment Agreements**

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In 1991, Chile became a signatory of the Washington Convention of 1965, which created the International Center for Settlement of Investment Disputes (ICSID). Since then, Chile has negotiated numerous Bilateral Investment Treaties (BITs)

through which Chile provides additional protection to foreign investment flows. According to information provided by the Government of Chile to ICSID, as of the end of 2012, Chile had signed 53 BITs, of which 39 are in force. There are agreements in force with Argentina, Australia, Austria, Belgium, Bolivia, China, Costa Rica, Croatia, Cuba, Czech Republic, Denmark, Dominican Republic, Ecuador, El Salvador, Finland, France, Germany, Greece, Guatemala, Honduras, Italy, Malaysia, Nicaragua, Norway, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Spain, Sweden, Switzerland, Ukraine, the United Kingdom, Uruguay, and Venezuela. Those BITs signed but not in force include Brazil, Colombia, Egypt, Hungary, Iceland, Indonesia, Lebanon, Netherlands, New Zealand, South Africa, Tunisia, Turkey and Vietnam.

Chile has a number of double taxation treaties in force: Australia, Belgium, Brazil, Canada, Colombia, Croatia, Denmark, Ecuador, France, Ireland, Malaysia, Mexico, New Zealand, Norway, Paraguay, Peru, Poland, Portugal, Russia, South Korea, Spain, Sweden, Switzerland and the United Kingdom.

Chile and the United States have signed the U.S.-Chile Treaty to Avoid Double Taxation, which addresses certain tax-related obligations for U.S. companies operating in Chile. In May 2012 President Obama submitted the treaty to the U.S. Senate for ratification. As of January 2013, the Government of Chile has not submitted the treaty to the Chilean Congress for ratification.

#### **OPIC and Other Investment Insurance Programs**

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A Bilateral Investment Agreement with the Overseas Private Investment Corporation (OPIC) took effect in 1984. Chile is a party to the convention of the World Bank's Multilateral Investment Guarantee Agency (MIGA).

#### **Labor**

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Chile has enjoyed generally calm labor relations over the last decade, but strikes do occur. Strikes and public protests have been concentrated in the mining, health, education, transportation, and civil service sectors.

Union membership is voluntary, and approximately 11 percent of the non-public workforce and 13.8 percent of the total workforce is unionized. Multiple unions exist in many companies, and management can negotiate collective agreements with any of the unions or with ad hoc groups of workers. Unions can form confederations or nationwide labor centrals and can affiliate with international labor federations.

Contracts are normally negotiated at the company level. Multi-company bargaining is permitted on a voluntary basis. Minimum wage, working hours, overtime, paid annual vacations, and holidays are all established by law. Women are entitled to state-funded maternity leave for a period of six weeks before and six months after childbirth. Layoffs are not permitted between conception and one year after the female employee has returned from maternity leave.

Top executive salaries are on a par with European countries, although well below those in the U.S. Chile allows companies to deduct set training costs (up to one percent of annual payroll) from corporate tax payments. A company can also use 10 percent of the rebate to finance an analysis of its training needs, and 15 percent to run a training department.

On January 1, 2005, the maximum number of labor hours per week was reduced from 48 to 45 without any loss of salary to the employees. This is now the standard work week in Chile.

Subject to certain exceptions, Chilean nationals must comprise no less than 85 percent of the workforce of companies employing more than 25 persons. A 2007 subcontracting law defines outsourcing as two different activities: subcontracting and the supply of outside labor. Subcontracting is when a company permanently outsources a specific process to another firm which takes full responsibility for it, carrying it out with its own employees. However, the law does not permit companies to outsource its main economic activity. Regarding outside workers, the law limits this to "temporary" labor, defined as those employed for periods of up to 90 (or in some cases 180) days during an "emergency." Additionally, only firms that register as suppliers of temporary labor and set up guarantees against their obligations to their own workers are allowed to fulfill this function. The law also sets limits on the number of staff that can be used on short-term jobs.

#### **Foreign-Trade Zones/Free Ports**

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Chile has two tax-free zones: one in the northern port of Iquique (Region I) and the other in the southern city of Punta Arenas (Region XII). Merchants and manufacturers in these zones are exempt from corporate tax, VAT, and customs duties. Businesses can re-export goods without paying taxes but must pay VAT (19 percent) and import duties when goods leave the zone to be used/sold in other regions of Chile. The same exemptions also apply to manufacturers in the Chacalluta and Las Americas Industrial Park in Arica (in the XV Arica and Parinacota Region created in October 2007). Mining, fishing and financial services are not eligible for free zone concessions. Management companies and firms established in the free zone are exempt from payment of tariffs, VAT, other charges on imports, first category income tax under the Income Tax Law, and payment of VAT on goods and services for all their operations in the free zone.

#### **Foreign Direct Investment Statistics**

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Today more than 3,000 companies from 60 countries have operations in Chile. Over the last decade, FDI has represented an annual average of around 6.5 percent of Chile's GDP. The United Nations Conference on Trade and Development (UNCTAD) World Investment Report for 2011 placed Chile sixth in the world and first in Latin America in its FDI Attraction Index, which measures countries' success in attracting FDI over a rolling three-year period.

Between 1974 and 2011, the mining sector attracted 34.1 percent of implemented FDI under DL600, followed by services (22.4 percent); electricity, gas and water (18.4 percent); manufacturing (10.9 percent); transportation and communications



(11.1 percent); and construction (1.7 percent).

Although figures for the total 2012 authorized and implemented FDI are not available yet, through October of 2012 authorized FDI stood at USD 16.1 billion, up 21.6 percent on authorized FDI for all of 2011 (USD 13.7 billion). During this timeframe, the mining sector accounted for 56.7 percent of authorized FDI (USD 9.4 billion), followed by the service sector (18.5 percent); transport and communications (10.0 percent); electricity, gas and water (9.6 percent); and manufacturing (4.8 percent). According to the Central Bank, implemented (as compared to authorized) FDI in Chile reached a record of USD 12.3 billion in the first three months of 2012, representing an 80.2 percent increase over inflows from the same period in 2011. The mining sector was at the forefront of the historic wave of capital, accounting for 60.3 percent of implemented FDI at USD 1.1 billion, followed by the gas, electricity and water sector, at 14.2 percent of total implemented FDI (USD 250.8 million). The manufacturing sector accounted for 12.7 percent (USD 224.9 million) and transportation and communication represented 7.4 percent (USD 130.6 million) of all implemented FDI.

According to the Central Bank, in 2011 implemented FDI was a record USD 17.5 billion, representing a 16.1 percent increase over 2010 FDI (USD 15.1 billion). Actual implemented or realized FDI in 2011 through the D.L. 600 totaled USD 4.1 billion, while FDI realized from the U.S. from January through September 2012 amounted to USD 3.9 million.

In 2011, Canada was the largest investor in Chile with 59 percent of total implemented FDI in the country, with projects totaling USD 8.2 billion. Canada was followed by Japan (12 percent), Spain (7 percent), the United States (6 percent) and Australia (4 percent).

The U.S. is the single largest direct investor in Chile accounting for 26.4 percent of implemented FDI from 1974 – 2010, totaling over USD 20 billion. U.S. FDI to Chile in 2011 was USD 34.2 billion, down 5.5 percent from 2010. The service sector represented about 33 percent of U.S. FDI in Chile in 2011, followed by the mining sector (27.6 percent); electricity, gas and water (14 percent); manufacturing (12.5 percent); and transportation and communications (10.5 percent). Canada, Japan, Spain, and Mexico –have also been significant investors in Chile in recent years.

According to Central Bank statistics, between 1990 and June 2011 Chilean investment abroad totaled USD 62.7 billion distributed over 70 countries. During that period, ten countries accounted for 92 percent of Chilean FDI abroad: Argentina (32 percent of total out-bound FDI), Brazil (18 percent), Peru (17 percent), Colombia (13 percent), and the United States (7 percent, totaling USD 3.7 billion). Mexico, Panama, Australia, Uruguay and Belgium round out the top ten destination countries for Chilean FDI during the period.

In 2011, over 1,000 Chilean companies combined to invest USD 5.8 billion abroad. In 2011, Peru was the largest recipient of Chilean FDI abroad at USD 1.2 billion, followed by Uruguay and Colombia at USD 950 million and USD 937 million, respectively.

FDI (DL600) by Sector (USD million, nominal)

Sector	1974-2008	2008	2009	2010*	2011*
Agriculture	268,918	940	0	2,000	47,504
Forestry	455,984	80,386	29,081	12,061	7,889
Fishing/aquiculture	319,226	10,998	0	0	0
Mining	23,538,324	2,366,188	1,010,926	732,078	2,489,023
Food, beverages and Tobacco	2,347,441	49,850	55,186	4,000	49,846
Wood and paper	1,201,922	53,851	1,474	6,560	570
Chemicals	2,929,661	1,469	33,142	0	9,999
Other manufacturing	1,622,855	112,165	367,950	73,413	157,938
Electricity, gas, water	14,363,530	1,409,913	305,976	87,806	209,953
Construction	1,426,955	2,121	0	7,308	0
Wholesale, retail trade	1,586,591	2,702	2,702	2,702	56,660
Transport, storage	1,159,345	425,985	8,028	276,294	125,670
Communication	6,891,408	283,225	194,547	63,051	94,122
Financial services (1)	6,937,828	207,571	317,374	43,058	56,045
Insurance	2,130,174	26,158	400	20,627	722,243
Engineering – business Services	847,857	113,628	60,486	34,005	108,695
Sewage, sanitation and similar services	522,644	0	0	0	0
Other Services (2)	1,349,813	14,461	16,606	6,505	3,817
Total	69,900,476	5,162,229	5,082,000	1,778,419	4,140,074

Source: Foreign Investment Committee. (\* provisional figures as of December 31, 2012) - (1) Includes banking, investment companies, investment and risk capital funds and other financial services; (2) Includes restaurants and hotels, real estate activities, social and related community services, recreation  
United States FDI to Chile Under DL600: 1974-2011  
(USD thousand, nominal)

Period	U.S.A. Total Value
1974-90	2,462,409
1991	350,245
1992	299,888
1993	606,159
1994	995,783
1995	1,498,332

1996	2,279,315
1997	887,366
1998	1,343,719
1999	1,388,730
2000	788,563
2001	1,808,061
2002	550,951
2003	373,374
2004	124,537
2005	9,242
2006	337,573
2007	337,573
2008	551,923
2009	2,860,451
2010*	292,420
2011*	210,930
TOTAL	20,156,947

Source: Foreign Investment Committee; (\*provisional figures as of December 31, 2011)

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## Chapter 7: Trade and Project Financing

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### How Do I Get Paid (Methods of Payment)

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In Chile, payment to foreign suppliers is often made via an irrevocable letter of credit from a Chilean commercial bank. This is relatively fast and simple, with no lengthy delays in the remittance of foreign currency. Payments are made upon receipt of notice of shipment of goods. Other methods of payment to suppliers include cash against documents and open account. Suppliers willing to offer an open account generally do so only after developing a long-standing relationship with the buyer.

An alternative, attractive and competitive method of securing payment is through the Export Credit Insurance Program available from the U.S. Export Import Bank (EXIM). For more information, visit the EXIM Bank web site at [www.exim.gov](http://www.exim.gov). For agricultural and food products, the U.S. Department of Agriculture's Commodity Credit Corporation offers export credit guarantees for U.S. exporters.

### How Does the Banking System Operate

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Chile's banking system offers many of the asset and liability products available in international markets. Foreign trade financing and money exchange operations are particularly well developed and efficient compared to the rest of Latin America.

Chile's Superintendence of Banks and Financial Institutions ([www.sbif.cl](http://www.sbif.cl)), an agency under the Ministry of Finance, regulates the financial sector. Chile's Central Bank, which is autonomous from the government in conducting monetary policy and regulating foreign capital movements, also regulates bank operations ([www.bcentral.cl](http://www.bcentral.cl)).

Some Chilean banks with direct presence in the United States are Banco de Crédito e Inversiones, also known as BCI, having acquired Florida's third largest bank, National Bank of Florida, from Bankia, in early 2013, and Banco Estado and CorpBanca, each with representative offices in New York.

U.S. banks operating in Chile (see list below) concentrate on corporate lending for multinationals and capital market activities (wholesale), although others such as Banco de Chile (which merged with Citibank) and HSBC Chile are active in retail banking as well.

There are a few business development offices of U.S. commercial banks in Chile offering U.S. Export Import Bank (EXIM) export insurance programs. Many representation offices are in the market as well.

## Foreign-Exchange Controls

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Chile has no restrictions on incoming and outgoing foreign capital. Reserve requirements for external capital, and the prior authorization requirement to enter funds associated with external loans, investment, working capital, bonds and ADRs have been eliminated. Limitations on capital and profit repatriation were also eliminated. Foreign trade finance operations (both import and export) are allowed to perform their foreign exchange transactions in the open market.

Foreign exchange operations are relatively active and efficient in Chile. As a general rule, currency may be freely traded in two markets: the informal and the interbank market (formal). Prior to receiving authorization, Chile's Central Bank requires confirmation that the trade finance transactions, foreign loans, capital flows, and profit repatriation will be executed through a commercial bank (formal market).

## U.S. Banks and Local Correspondent Banks

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U.S. Banks	Phone (56-2)	Fax (56-2)	Website
JP Morgan Chase Bank	2425-5100	2425-5367	<a href="http://www.jpmorganchase.com">www.jpmorganchase.com</a>
Wachovia N.A. (Rep. Office)	2365-9733	2365-9709	<a href="http://www.wachovia.com">www.wachovia.com</a>
Israel Discount Bank of New York (Rep. Office)	2236-5600	2236-5300	<a href="http://www.idbbank.com">www.idbbank.com</a>

Financial Institutions actively offering U.S. Exports Financing and Insurance	Phone (56-2)	Fax (56-2)	Website
UPS Capital Business Credit (*)	2247-1221	2243-8724	<a href="http://www.capital.ups.com">www.capital.ups.com</a>
PNC Bank (*)	2446-8866	2433-2226	<a href="http://www.pnc.com">www.pnc.com</a>

(\*) Local offices are business development representatives.

Local Banks	Phone (56-2)	Fax (56-2)	Website
Banco BICE	2692-2000	2787-2230	<a href="http://www.bice.cl">www.bice.cl</a>
CorpBanca	2687-8000	2660-2366	<a href="http://www.corpbanca.cl">www.corpbanca.cl</a>
Banco de Crédito e Inversiones (BCI)	2692-7000	2695-3775	<a href="http://www.bci.cl">www.bci.cl</a>
Banco de Chile	2637-1111	2637-3434	<a href="http://www.bancochile.cl">www.bancochile.cl</a>

Edwards - Citi	2338-8000	2338-8391	<a href="http://www.edwards.cl">www.edwards.cl</a>
Banco del Desarrollo	2674-5000	2671-5547	<a href="http://www.bdd.cl">www.bdd.cl</a>
Banco Internacional	2369-7000	2369-7367	<a href="http://www.bancointernacional.cl">www.bancointernacional.cl</a>
Banco Security	2584-4000	2584-4001	<a href="http://www.security.cl">www.security.cl</a>
Scotia Bank Sudamericano	2692-6000	2698-6008	<a href="http://www.scotiabank.cl">www.scotiabank.cl</a>
Banco Estado	2970-7000	2970-5711	<a href="http://www.bancoestado.cl">www.bancoestado.cl</a>
Banco Itaú Chile	2686-0000	2686-0760	<a href="http://www.italu.cl">www.italu.cl</a>
Rabobank Chile	2449-8000	2449-8595	<a href="http://www.rabobank.cl">www.rabobank.cl</a>
Banco Falabella	2385-9000	2385-9009	<a href="http://www.bancofalabella.cl">www.bancofalabella.cl</a>
Banco Ripley	2351-6000	2351-6050	<a href="http://www.bancoripley.cl">www.bancoripley.cl</a>
BBVA	2679-1000	2679-1350	<a href="http://www.bbva.cl">www.bbva.cl</a>
Banco Paris	2437-6605	2437-6868	<a href="http://www.bancoparis.cl">www.bancoparis.cl</a>
Banco Penta	2873-3000	2837-3499	<a href="http://www.bancopenta.cl">www.bancopenta.cl</a>
Banco Santander -Chile	2320-2000	2672-3166	<a href="http://www.santandersantiago.cl">www.santandersantiago.cl</a>
HSBC Bank Chile	2299-7200	2299-7393	<a href="http://www.hsbc.com">www.hsbc.com</a>
Banco Monex	2787-1800	2787-1895	<a href="http://www.bancomonex.cl">www.bancomonex.cl</a>
Banco de la Nación Argentina	2696-6935	2672-9078	<a href="http://www.bnach.cl">www.bnach.cl</a>
Banco Do Brasil	2336-3001	2336-3005	<a href="http://www.bb.com.br">www.bb.com.br</a>
ING Bank N.V.	2452-2700	2452-2745	<a href="http://www.ing.com">www.ing.com</a>
The Royal Bank of Scotland	2396-5000	2396-5666	<a href="http://www.rbsbank.cl">www.rbsbank.cl</a>
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2345-1000	2333-3032	-----
Deutsche Bank	2337-7700	2337-7701	-----

Rep. Office	Phone (56-2)	Fax (56-2)	Website
Korea Exchange Bank	2246-9105	2946-0171	<a href="http://www.keb.co.kr">www.keb.co.kr</a>
Banco Intesa SanPaolo S.P.A.	2432-1940	2432-1945	<a href="http://www.intesasanpaolo.com">www.intesasanpaolo.com</a>
BNP Paribas	2787-3333	2787-3300	<a href="http://www.bnpparibas.com">www.bnpparibas.com</a>
Credit Industriel et Commercial S.A., CIC	2203-6790	2203-4156	<a href="http://www.cic.fr">www.cic.fr</a>
Credit Suisse Consultas y Asesorías Ltda.	2232-3366	2334-2848	<a href="http://www.credit-suisse.com">www.credit-suisse.com</a>
Dresdner Bank A.G.	2230-2900	2657-1730	<a href="http://www.dresdner-bank.com">www.dresdner-bank.com</a>
ING Bank N.V.	2659-2700	2659-2745	<a href="http://www.ing.com">www.ing.com</a>
Société Générale	2233-8126	2658-3243	<a href="http://www.socgen.com">www.socgen.com</a>
UBS A.G.	2385-5555	2234-5554	<a href="http://www.ubs.com">www.ubs.com</a>
Westlb AG	2334-0434	2334-0825	<a href="http://www.westlb.de">www.westlb.de</a>

Sources: [www.abif.cl](http://www.abif.cl) and [www.sbif.cl](http://www.sbif.cl)

## Project Financing

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Major project financing is available through issue of equity, bonds in the international and local capital markets, and through syndicated loans.

The Overseas Private Investment Corporation (OPIC) is a business development corporation of the U.S. Government that helps U.S. investors overseas, fosters economic growth in new and emerging markets, complements the private sector in managing the risks associated with foreign direct investment, and supports U.S. foreign policy. For more information, contact the OPIC liaison for Chile, Mr. Matthew Hilgendorf [matthew.hilgendorf@trade.gov](mailto:matthew.hilgendorf@trade.gov) and/or visit [www.opic.gov](http://www.opic.gov)

Private companies can also take advantage of different programs like the World Bank's International Finance Corporation (IFC), which provides financing to private sector companies involved in certain types of infrastructure projects. The IFC is particularly interested in non-traditional industries, cross-border operations and asset securitization. See [www.ifc.org](http://www.ifc.org).

## Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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## Chapter 8: Business Travel

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### Business Customs

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U.S. business representatives will find that business practices in Chile and the United States are very similar. The business day usually begins at 9 a.m. and ends between 6 and 7 p.m. Lunch breaks usually do not begin before 1 p.m. If there is business to be conducted, two or even three-hour lunches are not uncommon. Although social occasions rarely begin at the indicated time, business meetings usually do.

Many Chilean businesspeople are well-educated professionals who travel internationally and speak some English. However, not all speak English, and foreigners will often find the ability to speak Spanish very useful, if not an absolute must. Product marketing or company promotional literature should be in Spanish.

Appearances are an important part of Chilean business. Dress codes are generally formal and conservative - suit and tie for men and discreet business suit (skirt or trousers) for women. Men tend to put on their jackets when leaving the office, even if it is just for lunch. Business attire becomes less formal outside major cities and in certain sectors.

It is useful to have business cards printed with English on one side and Spanish on the other. Generally, cards are presented to everyone at the beginning of the meeting.

### Travel Advisory

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For Travel Advisory information please see the State Department's Country Specific Information for Chile at:

[www.travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1088.html](http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1088.html).



You can also search for any Travel Alerts or Travel warning at the same website.

## Visa Requirements

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Entry/Exit requirements:

For current info: [http://travel.state.gov/travel/cis\\_pa\\_tw/cis\\_1088.html](http://travel.state.gov/travel/cis_pa_tw/cis_1088.html)

U.S. citizens entering Chile must have a valid passport valid for the period of stay.

U.S. citizens traveling to Chile for recreation, tourism, business, or academic conferences do not need to obtain a visa prior to their arrival to Chile. A Tourist Card will be issued for a stay of up to 90 days upon payment of a "reciprocity" fee, currently US\$160. Currently, the fee is only charged at the Santiago International Airport. Payment can be made in U.S. currency or by credit card. An extension of stay for another 90 days is possible upon payment of an extension fee at the Chilean Immigration Office located at San Antonio 580, Santiago; telephone 56-2-2486 3000. The Tourist Card must be surrendered upon departure. Failure to submit this card upon departure may result in delays until a replacement is obtained. If lost or stolen, the tourist card must be replaced by the International Police at their nearest headquarters or at the international airport prior to departure.

For up-to-date information on visa requirements, visit the website of the Embassy of Chile in Washington D.C. (<http://www.chile-usa.org/>) U.S. citizens, who intend to work, live, or study in Chile must apply in advance for a Chilean visa.

The U.S. Department of State is unaware of any HIV/AIDS entry restrictions for visitors to or foreign residents of Chile.

Find additional information at Travel.State.Gov regarding the prevention of international child abduction.

For visa information for travel from Chile to the U.S. visit

[http://chile.usembassy.gov/non-immigrant\\_visas.html](http://chile.usembassy.gov/non-immigrant_visas.html).

## Telecommunications

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Chile's capital, Santiago, has a well-developed telecommunications infrastructure. Domestic and international telephony works well and rates are generally competitive. There are also several mobile operators present, including Claro, Entel, and Movistar. Visitors can rent cell phones in Chile or are advised to check with their own United States-carrier to see if their phone is able to make international calls from Chile. Cell phones can be rented at kiosks in Santiago's international airport.

Wi-Fi "hot spots" are fairly common in Santiago. In rural parts of Chile, the telecommunications infrastructure is less developed. Most business hotels have internet connections available, as well as business centers. PCMCIA cards that will allow a notebook computer to connect to the Internet can also be rented at kiosks in Santiago's international airport.

## Transportation

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Chile is well connected via air service to the United States and countries throughout Latin America. American Airlines has non-stop service between Santiago and both Miami and Dallas. Delta Airlines has non-stop service to Atlanta. Chile's main airline, LAN, partners with American Airlines in the OneWorld Alliance and offers non-stop service to Miami, New York (JFK) and direct service to Los Angeles via Lima, Peru. The primary point of entry is the Santiago International Airport (see [www.aeropuertosingapuri.cl/english/](http://www.aeropuertosingapuri.cl/english/)).

Domestic air service is well developed. Flights between Santiago and most cities in Chile are fairly frequent. The rail system is less developed, but there is a good central train line that runs between Santiago and Chillan. See [www.efc.cl/](http://www.efc.cl/).

Primary roads in Chile are good. The main highways are concessioned toll roads and are in good condition. Secondary roads, especially outside of Santiago, are sometimes in lesser repair. Gravel and dirt roads are common in rural areas. For more information on driving in Chile, see the Country Specific Information.

[www.travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1088.html](http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1088.html).

## Language

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Spanish is the language of Chile. Among the business community, there is a fair level of English language capability, but in order to operate in Chile, U.S. businesspeople need to speak Spanish or identify a local partner who can speak both English and Spanish. For more information about partner-matching assistance provided by the U.S. Commercial Service, see [www.export.gov/chile](http://www.export.gov/chile).

## Health

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Chile has both public and private healthcare service providers. Some of the private clinics in Santiago are well equipped and operate at the level of service providers in the United States and Europe. Travelers to Chile are advised to check with their health insurance providers to ascertain coverage levels in Chile. For more information on medical issues in Chile, see the Country Specific Information:

[www.travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1088.html](http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1088.html)

## Local Time, Business Hours, and Holidays

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Because Chile is in the Southern Hemisphere, its seasons are opposite those in the United States. This means that when the United States enters daylight savings time, Chile falls back at about the same time. Consequently, during the northern winter, Chile is 2 hours ahead of Eastern Standard Time. In the summer, Chile is the same time as Eastern Daylight Time.

Business hours in Chile are roughly the same as the United States. Most offices open at 8:30 or 9:00 am and continue until usually 6:00 pm or later. Lunchtime is usually later (beginning at 1:00 pm or later) and longer (1-2 hours) than in the United States.

There is an increasing use of a 9-hour workday from Monday to Thursday, and a 4-hour workday on Friday.

Below is a list of holidays to be observed by the U.S. Embassy in Santiago during 2013. The Embassy will be closed to the public on these holidays.

January 1	Tuesday	New Year's Day	American/Chilean
January 21	Monday	Martin L. King's Birthday	American
February 18	Monday	Washington's Birthday	American
March 29	Friday Good	Friday	Chilean
May 1	Wednesday	Labor Day	Chilean
May 21	Tuesday	Navy Day	Chilean
May 27	Monday	Memorial Day	American
July 4	Thursday	Independence Day	American
July 16	Tuesday	Virgen del Carmen Day	Chilean
August 15	Thursday	Assumption Day	Chilean
September 2	Monday	Labor Day	American
September 18	Wednesday	Independence Day	Chilean
September 19	Thursday	Army Day	Chilean
September 20	Friday	Fiestas Patrias	Chilean
October 14	Monday	Columbus Day	American
October 31	Thursday	National Day of Evangelical & Protestant Churches	Chilean
November 1	Friday	All Saints Day	Chilean
November 11	Monday	Veterans Day	American
November 28	Thursday	Thanksgiving Day	American
December 25	Wednesday	Christmas Day	American/Chilean
December 31	Tuesday	* Banking day	Chilean

Banks and other financial institutions close down. Workers in other fields are not given the day off as in the rest of the holidays, though the workday schedule is usually shorter.

### Temporary Entry of Materials and Personal Belongings

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Under the terms of the U.S.-Chile FTA, Chile will permit duty-free temporary admission of professional equipment necessary for carrying out the business activity of a U.S. businessperson who qualifies for temporary entry under Chilean law. Chile is the first Latin American country to accept carnets (<http://www.atacarnet.com/ATACarnetCountryAdvisories/ChileisRegionsFirsttoAcceptCarnets.aspx>)

A Carnet or ATA Carnet is an international customs document issued by [70 countries](#). It is presented when entering a Carnet country with merchandise or equipment that will be re-exported within 12 months. ([Information about using carnets in non-carnet countries.](#))

Upon presentation, the Carnet permits the equipment or merchandise to clear customs without the payment of duties and taxes. Payment is not necessary because the Carnet guarantees that the merchandise or equipment will be re-exported within a year. Thus the use of a Carnet is a way of temporarily importing into foreign countries without payment of duties and taxes. Carnets also serve as the U.S. registration of goods so that the goods can re-enter the U.S. without payment of duties and taxes.

Chile will accept carnets for these three categories of goods:

- Exhibitions and Fairs
- Professional Equipment
- Commercial Samples
- For temporary entry of food samples, see the Foreign Agricultural Service's
- Food and Agricultural Import Regulations report at

[www.fas.usda.gov/scripts/attacherep/default.asp](http://www.fas.usda.gov/scripts/attacherep/default.asp)

#### **Web Resources**

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State Department Country Specific Information:

[www.travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1088.html](http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1088.html)

Tourism Service of Chile: [www.sernatur.cl](http://www.sernatur.cl)

U.S. Embassy Santiago (American Citizen Services):

<http://chile.usembassy.gov/service.html>

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## Chapter 9: Contacts, Market Research and Trade Events

[Contacts](#)

[Market Research](#)

[Trade Events](#)

### Contacts

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U.S. Commercial Service Santiago: [www.export.gov/chile](http://www.export.gov/chile)

USDA Foreign Agricultural Service: [www.fas.usda.gov](http://www.fas.usda.gov)

U.S. Embassy Santiago: <http://chile.usembassy.gov/>

U.S. Chamber of Commerce: [www.uschamber.com](http://www.uschamber.com)

Chilean-American Chamber of Commerce (Amcham): [www.amchamchile.cl](http://www.amchamchile.cl)

Chilean Embassy Washington: [www.chile-usa.org](http://www.chile-usa.org)

Government of Chile (links to Ministries): [www.gobiernodechile.cl](http://www.gobiernodechile.cl)

Chile's National Chamber of Commerce: [www.cnc.cl](http://www.cnc.cl)

Santiago Chamber of Commerce: [www.ccs.cl](http://www.ccs.cl)

### Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

### Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

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## Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: [www.export.gov](http://www.export.gov)

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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